

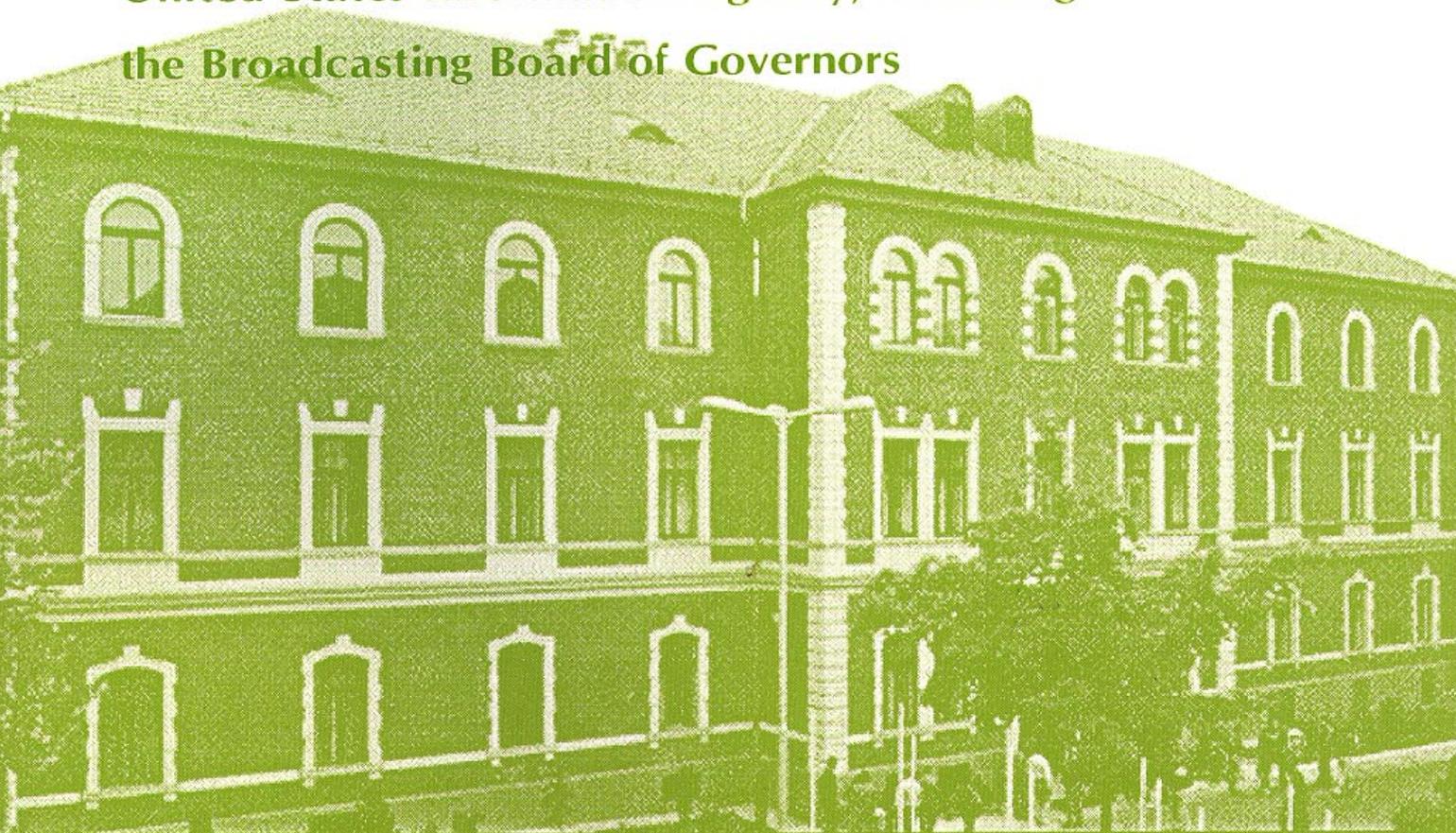
Office of Inspector General



U.S. Department of State

U.S. Arms Control and Disarmament Agency

**United States Information Agency, including
the Broadcasting Board of Governors**



Semiannual Report to the Congress

October 1, 1997, to March 31, 1998

Table of Contents

Executive Summary	1
Congressional Activities	6
U.S. Department of State	
Audits	11
Inspections	15
Security and Intelligence Oversight	24
Investigations	28
Appendices	33
U.S. Information Agency	
Audits	43
Inspections	43
Security and Intelligence Oversight	44
Investigations	45
Appendices	46
International Broadcasting	
OIG Activities	55
Appendices	56
U.S. Arms Control and Disarmament Agency	
OIG Activities	59
Appendices	60
List of Abbreviations	63
Index of Reporting Requirements	65

Executive Summary

In a period marked by increasing emphasis on performance and managing for results, the Office of Inspector General has continued to focus its efforts around the strategic goals we have developed in the spirit of the Government Performance and Results Act. In keeping with our commitment to producing measurable results, our strategic goals are directed not at our own activities, personnel, and internal processes, but on the value-added outcomes that we expect to achieve through our work.

OIG efforts during this reporting period have focused on assisting our client agencies in effectively implementing their own plans, as well as developing a core group concept to serve as a primary vehicle for achieving OIG's goals and objectives. Each of the four core groups is responsible and accountable for the planning, activities, oversight, and reporting necessary to achieve one of OIG's strategic goals. The groups are composed of auditors, inspectors, investigators, security specialists, and representatives from the offices of congressional and media relations, counsel, and policy,

planning and management, as well as OIG's information technology team. Specific core group responsibilities include identifying strategies and activities to achieve the performance goals; overseeing and tracking the progress of projects and activities in support of the goals; measuring, monitoring, and evaluating performance; and analyzing and synthesizing the results of completed work into appropriate products such as testimony, summary reports, best practices, and lessons learned.



During this reporting period, the Inspector General presented testimony on the security of U.S. personnel overseas to the House Government Reform and Oversight Subcommittee on National Security, International Affairs, and Criminal Justice. Of particular interest to the subcommittee was the Memorandum of Understanding (MOU) between the Departments of State and Defense, under which the Secretary of Defense assumed operational responsibility for the security of most Defense Department personnel on the Arabian Peninsula not under the

command of the U.S. Central Commander. The work of OIG contributed to identifying the need for an extension of this MOU to Latin America and other areas of the world.

At the invitation of the Government of China and at the request of the Bureau of East Asian and Pacific Affairs, the Inspector General led a delegation to China to begin a dialogue on standards of conduct, anticorruption efforts, and the rule of law. This was the first official government-to-government exchange to involve discussions with the Chinese Government on these issues.

Improved Implementation of U.S. Foreign Policy

OIG reviews of several overseas missions identified a number of programs and initiatives contributing to improved implementation of foreign policy.

Embassy Moscow, in collaboration with the Special Adviser for Assistance to the New Independent States, has launched a Regional Investment Initiative, designed to pull together all activities supporting U.S. business. Regional investment coordinators will be established and will serve as focal points, catalysts, and clearing houses for information on matters affecting American business.

Embassy Madrid is focusing its policy goals on Spain's smooth integration into NATO and the promotion of U.S. trade, while working to ensure longer term U.S. interests. Embassy Madrid has also developed a "one-stop shop," which brings together under one roof the Foreign Agricultural Service, Foreign Commercial Service, and the United States Information Service (USIS). Each agency anticipates improved and more visible service to clients, and improved efficiencies and economies of scale from this integration.

At Embassy Hanoi, issues remaining from the Vietnam War, such as accounting for missing American service personnel and dealing with refugees, are at the

forefront of the policy agenda. Promoting American business is also a high priority. The planned opening of a consulate general in Ho Chi Minh City, Vietnam, which is the center of the Vietnamese economy and of the area from which many Vietnamese emigrated to the United States, is a key ingredient in achieving the embassy's goals.

In reviewing operations at the U.S. Mission to the European Union in Brussels, Belgium, OIG recommended that the post develop a missionwide approach to public diplomacy to get U.S. policy views across to key European Union audiences and decision makers.

Better Alignment of Fiscal and Human Resources with U.S. Foreign Policy Priorities

Effective use of resources was the focus of a number of OIG reviews and recommendations.

In the Bureau for International Narcotics and Law Enforcement Affairs, OIG reviewed several management issues, including financial management and reporting systems; overseas staffing; Department support for and oversight of field programs; and increased field controls for food and fuel programs and salary incentive payments. OIG identified \$635,666 in FY 1989 and 1991 appropriations for Narcotics Affairs Section Caracas that had expired because unliquidated obligations lapsed when field officers did not receive billing documentation from other State Department or U.S. Government entities.

An OIG audit of the financial and procurement management practices at the International Law Enforcement Academy (ILEA) in Budapest, Hungary, verified that \$11.2 million in Federal funding to support ILEA was spent as intended. However, the audit found that Embassy Budapest and ILEA staff who exercised oversight for U.S. contributions employed inappropriate procedures to obligate and expend ILEA funding. ILEA will need an experienced financial assistant to account for U.S. funds and provide financial oversight and liaison with the Hungarian National Police.

The Adequacy of Disciplinary Actions

At the request of the Chairman of the House International Relations Committee, OIG reviewed the adequacy of disciplinary actions taken by the Department of State, the U.S. Information Agency (USIA), its International Broadcasting Bureau (IBB), and the Arms Control and Disarmament Agency (ACDA) in response to reports by OIG of violations of laws or regulations. OIG reviewed the pertinent administrative documentation, examined over 575 files, and interviewed appropriate personnel. OIG concluded that, overall, the interests of the U.S. Government and the rights of employees are adequately protected by the disciplinary and grievance systems of the three agencies.

However, OIG made several recommendations to improve the efficiency and effectiveness of these processes. For example, while OIG was unable to assess the deterrence effect of sanctions on employees, the prevailing opinion in the law enforcement community is that deterrence works best when it is swift and certain. In the State Department, a Foreign Service disciplinary case takes an average of 25 months to process. This time reflects the period from the Department's receipt of the OIG investigative report to the initiation of the final sanction. This is not swift. Therefore, OIG proposed revising the criteria for processing Foreign Service employee discipline and grievance cases. Other recommendations include realigning parts of the State Department's organizational structure to handle disciplinary action cases more expeditiously and increasing the use of neutral third parties as arbitrators. These changes would result in more parallel treatment between Foreign Service and Civil Service employees. OIG also noted the lack of action within the IBB on OIG cases and the shortcomings of IBB's documentation and recordkeeping efforts.

An inspection of Embassy Madrid found that the embassy makes cost-effective use of consular agencies, which provide a large array of services to the more than 1 million Americans who visit Spain each year. OIG concluded that it is cost-effective to retain a controversial lease on the consulate building in Seville because the heavy workload performed by its consular agency eases the burden on the consular section in Madrid.

At Embassy Moscow, agencies at the post have outpaced the mission's ability to house them adequately. Programs are difficult to coordinate and track. Semiannual, binational commission meetings are held that provide a structured forum for high-level handling of sensitive issues and for detailed exchanges.

Monitoring and encouraging Hong Kong's autonomy and its evolution toward greater democracy has become an important new function of the consulate general since Hong Kong's reversion to China in July 1997. The post functions exceptionally well, although costs are high. The staff has been reduced in recent years, but OIG recommended that the downsizing stop now to allow the post to address responsibilities, including increased reporting on mainland China.

At Embassy Rangoon, relations with the host government are strained and the official environment is hostile. The embassy is doing a fine job of advocating democracy, respect for human rights, and counternarcotics action. Although the post has downsized

significantly, operating expenses are expected to grow by \$500,000 in two years. The embassy building needs refurbishment, and information systems need a major upgrade.

An inspection of Embassy Port Moresby found that the low level of U.S. interests, programs, and activities do not justify the current level of resources. The State Department needs to reassess basic U.S. interests and the resources needed.

Some posts provided examples of innovative efforts to effectively address resource issues in support of U.S. foreign policy. Embassy Beijing and the Bureau of East Asian and Pacific Affairs have developed a comprehensive, multiyear strategy, called "China 2000," to bring the mission into the next millennium. The report sets forth an action plan designed to achieve full diplomatic readiness at Embassy Beijing and its constituent posts and has received the support of senior policymakers.

In Spain, USIS Madrid has developed an innovative, Spanish-language Internet home page that provides facts about the United States, its history, and U.S. policies, as well as texts of official statements. Running on a host country Internet service provider, the page is enormously popular, registering more than a thousand "hits" per day.

More Effective, Efficient, and Secure Operations and Infrastructures

A primary focus of OIG audits, inspections, and security reviews is the efficiency, effectiveness, and security of agency operations and infrastructures, including financial management, information management, personnel, and real property.

In the area of financial management, OIG assessed whether the Multinational Force and Observers (MFO) complied with its administrative and financial regulations during FY 1996 by examining work performed by the MFO's independent auditing firm. Projected total expenses for the first half of FY 1997 represented a \$160,000 net decrease in operating costs over those incurred in FY 1996.

Another OIG audit examined the Central Financial Management System (CFMS) to determine whether authorized users with "read only" access could perform functions for which they were not authorized, or inappropriately make changes to CFMS data. Attempts to perform transactions to achieve a higher-than-authorized level of access were unsuccessful using this "read only" user account.

Citing a lack of accountability at the American Institute in Taiwan (AIT) in internal controls, and the inability to account for \$5.3 million in visa fees, the Department of State's Chief Financial Officer requested an OIG review of AIT financial and

administrative operations. AIT Taipei appears to have corrected many of the deficiencies identified during prior OIG reviews, although it has not established an effective financial planning process. OIG found continuing uncertainty as to roles and responsibilities and recommended that AIT resolve these inconsistencies.

Several OIG reviews conducted during this period focused on real property and housing issues. OIG performed a survey of the Office of Foreign Buildings Operations (A/FBO) to gain an overall understanding of the financial aspects of the Department's overseas real property inventory. The survey found that a significant amount of work will be necessary for the Department to effectively account for real property in the future. An OIG review of housing standard regulations and Department actions to encourage compliance found that one in five housing assignments exceeded standards. A separate review of temporary-duty housing operating without A/FBO approval recommended that A/FBO reevaluate the housing profile system to determine whether, and how, posts can use it effectively to manage their housing inventories.

A followup review of the 1996 inspection of Embassy Bonn, Germany, found that real property management decisions by the Department are urgently needed to keep on schedule the embassy's move to Berlin and efforts to consolidate regional activities in Frankfurt by the year 2000. The Department's highest levels of management are intervening to secure needed funding and to break bureaucratic logjams.

Embassy Brussels encompasses many agencies yet has an admirable sense of cohesion and resultant high morale. OIG recommended that the embassy consolidate the political and economic functions into a single section. The embassy's joint administrative services office, which serves three U.S. missions located in Brussels, is a success story: well staffed, well funded, and providing a high level of customer service to all agencies.

An inspection of Embassy Lisbon, Portugal, found that the International Cooperative Administrative Support Services system did not get off to a good start because of disagreements between some agencies over the desire to acquire better services at lower cost.

The isolated post of Embassy Ulaanbaatar, Mongolia, functions under severe hardship conditions, and embassy facilities are poor. OIG found that a revolving loan fund has not been well-managed. As a result, approximately 50 percent of the loans are nonperforming. OIG recommended that the fund be liquidated and remaining funds put to better use.

A followup review of the Bureau of Political-Military Affairs found that the bureau's implementation of recommendations from a 1995 inspection was outstanding. One followup recommendation was issued by OIG to prepare the bureau for consolidation with the Arms Control and Disarmament Agency, by updating present position descriptions for Foreign Service and Civil Service employees.

Compliance at Embassy Dhaka with the inspection report's recommendations has been exemplary. With a growth in commercial activities, the economic/commercial staffing level is no longer adequate. A prior OIG recommendation to eliminate an economic/commercial officer position has been reversed; OIG recommended that the post reestablish the position.

In anticipation of the planned merger of USIA and the Department, OIG reviewed USIA's Office of Security and suggested how a reorganization of the security function should occur when authorized. The review evaluated the performance of each USIA security program. The results should be useful to Department officials responsible for implementing the merger.

Greater Adherence to Fundamental Principles Governing Professional and Ethical Conduct

An OIG review conducted at the request of the Chairman of the House International Relations Committee examined the adequacy of client agency actions on disciplinary actions taken in response to OIG reports of investigation [see sidebar]. In an effort to increase awareness and understanding of OIG's investigative process, OIG also issued to all Department employees an updated publication describing the process, including employee responsibilities and rights. The Inspector General and the Assistant Inspector General for Investigations are also providing

briefings on the investigative process at senior bureau managers' meetings.

OIG agents interviewed an employee at the Charleston Financial Services Center, Charleston, South Carolina, where an employee allegedly embezzled funds. The employee confessed to stealing Department funds by making unauthorized electronic fund transfers to his own account and to an account held by another individual. OIG agents determined that the employee, and one other employee, stole not less than \$193,807.75; the employee agreed that this amount was the extent of his theft. The employee stated that he had used most of the funds to purchase cocaine. In November 1997, the employee resigned from the Department.

An OIG investigation was initiated in May 1997 when the director of a passport agency notified OIG that eight passports were missing. OIG determined that an employee had removed, and subsequently destroyed, the eight passports because they had been misprinted. OIG agents verified that the passports had been destroyed and the employee resigned from the Department.

An OIG investigation established that a former contractor at a U.S. embassy had stolen government property and could provide information concerning similar activities by embassy personnel. In return for limited immunity, the individual provided the names of three FSN employees

who had stolen embassy property. The employees were subsequently terminated.

In November 1997, OIG initiated an investigation with the Arlington County, Virginia, Police Department. OIG agents determined that employees at a State Department building had been the victims of thefts from their work areas. An employee was identified as a suspect and confessed to stealing approximately \$3,800. In March 1998, the employee resigned from the Department.

OIG agents initiated an investigation at a passport agency, after learning that a fraudulent passport application had been submitted to secure a U.S. passport. The investigation revealed that an illegal alien had solicited a U.S. citizen, who used her daughter's birth certificate to prepare a passport application bearing the photograph of the illegal alien's daughter. The passport was sold to the illegal alien. Both the U.S. citizen and the illegal alien confessed and were arrested on felony warrants.

OIG was informed by the U.S. Marshals Service that it had found a fraudulent U.S. passport while arresting a fugitive alien. OIG's investigation developed evidence of a conspiracy to smuggle cocaine from South America to the United States, during which time a conspirator assisted the fugitive in obtaining the passport under an assumed identity. The fugitive was indicted by a Federal grand jury, but died from a self-inflicted gunshot wound prior to judicial action.

Information was given to OIG alleging that a Voice of America employee used U.S. Government travel requests for unauthorized travel; improperly vouchered educational allowances and official travel; and submitted fictitious vouchers for representational expenses. The employee agreed to pay the U.S. Government \$10,000 for claims made for educational allowances, and to retire from the U.S. Government.

OIG agents received allegations that employees at an American embassy and the Department of State failed to aid an American citizen in distress. The citizen was incarcerated by local police, during which time the citizen sustained serious injuries. The individual was then transported to a mental hospital, where doctors discovered a broken neck. He was transferred to a medical hospital where he died a week later from his injuries. The citizen, at no time, was contacted by anyone from the American embassy.

This matter was referred to the Director General of the Foreign Service, who determined that the three American employees involved had displayed poor judgment. The Director General imposed a 10-day suspension to an embassy consular officer responsible for American citizen services; a 3-day suspension to his superior; and a letter of reprimand to a Department employee in Washington.

Congressional Activities

IG Congressional Testimony and Meetings

In October 1997, the Inspector General presented testimony to the House Government Reform and Oversight Subcommittee on National Security, International Affairs, and Criminal Justice on the security of U.S. personnel overseas. The closed hearing focused on security for U.S. personnel stationed in the Gulf States, Egypt, and Turkey, and built upon several classified briefings organized by the subcommittee to inform Members of Congress of the status of the investigation into the terrorist attack on Khobar Towers in June 1996. Of particular interest to the

subcommittee was the MOU between the Departments of State and Defense, under which the Secretary of Defense assumed operational responsibility for the security of most Defense Department personnel on the Arabian Peninsula not under the command of the U.S. Central Commander. The work of OIG contributed to identifying the need for an extension of this MOU to Latin America and other areas of the world.

In February 1998, the Inspector General provided the House Appropriations Committee, Commerce, Justice, State, the Judiciary and Related Agencies Subcommittee with a statement on OIG's budget request and justification for FY 1999. The statement discussed current and planned work in the context of OIG's strategic plan and outlined areas for program and operational efficiencies. Areas of OIG work that are highlighted in the statement include chief of mission oversight of intelligence and law enforcement coordination, public diplomacy, mission performance plans, facilities and resources, financial and information management, human resource management, security issues, and outreach information concerning the investigations process.

China Outreach

At the invitation of the Government of China, and at the request of the Bureau of East Asian and Pacific Affairs, the Inspector General led a delegation to China last year to begin a dialogue on issues relating to standards of conduct, anticorruption efforts, and the rule of law. This was the first official government-to-government exchange and discussion with the Chinese Government on these topics. The delegation provided information about how to build reform and ethics into government programs. Given the success of this trip, the Inspector General has extended an invitation to the Chinese Minister of Supervision to lead a delegation on a reciprocal visit to the United States to continue the dialogue.

Shortly after her return from China, the Inspector General was invited to give the keynote address on her trip at the Office of Government Ethics Annual Conference. She explained the opportunities the trip created and how China, like many other countries around the world, is looking to the United States for best practices models to prevent corruption in government. The Inspector General also spoke at the annual conference of Executive Women in Government about her discussions on rule of law and ethics with the Chinese.

During this semiannual reporting period, OIG representatives also met with Members of Congress and staff to discuss a wide range of issues related to OIG's work. Topics covered at meetings included security issues, Fulbright programs, diplomatic telecommunications, the National Endowment for Democracy, chief of mission oversight of intelligence and international law enforcement coordination, the American Institute in Taiwan, United Nations programs, financial and information management, property management, human resource management, consular citizen services, international broadcasting management, and the OIG budget.

Legislation Reviewed

During this semiannual reporting period, OIG commented on the following legislation:

- The Government Waste, Fraud, and Error Reduction Act of 1998.
 - H.R. 2883, the Government Performance and Results Act Technical Amendments of 1998.
 - S. 1668, a Bill that encourages disclosure to Congress of certain classified and related information.
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U.S. Department of State

Audits	11
Inspections	15
Security and Intelligence Oversight-	24
Investigations-	28
Appendix 1: Investigative Actions-	33
Appendix 2: Reports Issued-	34
Appendix 3: Savings and More Effective Use of Resources	
Table 1: Questioned Costs-	36
Table 2: Funds Put to Better Use-	37
Appendix 4: Resolution of Reports and Recommendations	
Previously Reported Significant Recommendations-	38
Audit Reports Pending Management Decision-	40

Audits

OIG audit work this reporting period included reviews of management and financial practices of the Multinational Force and Observers, test results of the Department's central financial management system access control, the administration of overseas housing, administrative activities at the International Law Enforcement Academy in Budapest, Hungary, and fiscal and administrative operations of the American Institute in Taiwan. The Office of Audits also conducted a survey of foreign buildings operations in accordance with requirements of the Chief Financial Officer's Act.

Review of Selected Management and Financial Practices of the Multinational Force and Observers (98-CG-001)

OIG conducted a review of selected management and financial practices of the Multinational Force and Observers (MFO) for the fiscal year ended September 1996, at the request of the Chairman of the Foreign Operations Subcommittee of the Senate Appropriations Committee. The objective of the review was to assess whether the MFO complied with its administrative and financial regulations during the fiscal year, particularly those affecting salaries and benefits of the Director General and senior staff. OIG's review consisted primarily of examining work performed by the MFO's independent auditing firm and included such additional tests

as OIG considered necessary. OIG also reviewed the MFO's budgeted and actual expenditures for the 6-month period ending March 31, 1997, to assess any trends or significant changes following the end of the fiscal year.

The MFO's independent auditor had concluded that the pay and benefits of the Director General and other senior staff during FY 1996 were substantially in compliance with MFO regulations and procedures. OIG found the conclusions reached by the independent auditor to be fairly stated and that the pay and benefits of the MFO senior staff were comparable to those received by equivalent members of the U.S. Foreign Service in Rome.

Based on a review of actual costs incurred through the first two quarters of FY 1997, the MFO has projected total expenses for the year to be about \$48.4 million (excluding unliquidated obligations), or about \$2.6 million less

than its proposed FY 1997 budget. Furthermore, the projected total expenses represented a \$160,000 net decrease in operating costs over those incurred in FY 1996. A comparison of FY 1996 actual expenditures with the FY 1997 expected expenditures did not disclose any significant variances in the 12 line items reported by the MFO in its annual report.

Central Financial Management System Access Control Test Results (98-FM-002)

This audit was performed by independent public accountants to meet the requirements of the Chief Financial Officers (CFO) Act of 1990. The objectives of the audit were to determine: (1) if personnel who are authorized "read only" access to the Central Financial Management System (CFMS) could perform functions for which they were not authorized; (2) if a higher than authorized level of access could be achieved with "read only" access; and (3) if it is possible to inappropriately make changes to CFMS data. OIG provided a "read-only" user account at an OIG workstation to the independent public accountants. The testing was conducted only at the CFMS front end menu. Attempts to perform functions/ transactions and to achieve a

higher than authorized level of access to update or make changes to CFMS data were unsuccessful using this “read-only” user account. Therefore, this report did not contain any recommendations.

Administration of Government Housing (98-PP-003)

OIG reviewed the Department’s overseas housing program to determine if the program was being carried out in accordance with applicable regulations and whether it was accomplishing program objectives. The review focused on housing standards adopted in June 1991 and Department actions to encourage compliance with these standards. A significant majority of the housing assignments reviewed were within standard; however, one in five assignments exceeded the Department’s size standards. This is an improvement over the results of a 1989 General Accounting Office study, but more can be done. Due to imprecise guidance and lack of documentation, it could not be determined if the over-standard assignments were acceptable under housing policy and program cost objectives.

Housing boards did not consider enforcement of space standards and cost control to be their primary mission and thus had little or no incentive to hold down program costs. As a result, the audit found that posts were not using housing profiles to stabilize housing inventories and reduce housing and housing-related costs, and the

bases for some over-standard housing assignments were questionable. Two posts leased residences, while government-owned properties at the posts remained vacant. Four posts incurred additional costs when they allowed employees to change residence in midtour for personal reasons. Property managers at three posts did not provide a required annual housing program certification to their chiefs of mission.

OIG also reviewed temporary-duty housing and found that three posts operated temporary-duty housing without Office of Foreign Buildings Operations (A/FBO) approval, six posts did not charge temporary-duty housing occupants an appropriate rate, and most posts did not account for or manage temporary-duty housing revenues and expenses in accordance with housing policy.

OIG recommended that A/FBO instruct post property managers to provide an orientation for new housing board members on their responsibilities related to housing space and cost, and to clarify guidance in the Foreign Affairs Manual regarding the various factors to be considered in assigning a residence. A/FBO should reevaluate the housing profile system to determine if and how posts can use it to manage effectively their housing inventories, issue additional guidance on post property managers’ housing program certification requirements, and improve oversight of temporary-duty housing.

Narcotics Program Management Issues (98-CI-004)

OIG focused on four sets of issues relating to management of Bureau for International Narcotics and Law Enforcement Affairs (INL) field programs: (1) financial management and reporting systems, (2) staffing resources overseas, (3) headquarters support for and oversight of field programs, and (4) field controls over potentially vulnerable program support components such as food, fuel, and salary incentive payments.

INL field managers did not consistently implement INL headquarters financial management systems and did not provide uniform financial reports to INL. OIG recommended that INL instruct posts administering a predetermined level of International Narcotics Control Program funding to use automated financial software developed by INL. At one narcotics affairs section (NAS), unliquidated obligations lapsed because field officers did not receive billing documentation from other Department elements or from other U.S. Government agencies. OIG recommended that INL work with the Bureau of Finance and Management Policy to correct billing problems related to unliquidated obligations and establish procedures to ensure the availability of INL appropriations until final liquidation.

OIG identified that \$635,666 in FYs 1989 and 1991 NAS Caracas appropriations expired because funds were not spent within the

period of availability. Some of the funds were placed in a suspense account that did not result in legal expenditures as envisioned by NAS Caracas and INL. NAS Caracas acted prudently in not releasing these program funds to the Government of Venezuela without a definitive project plan by Venezuelan counterparts. OIG recommended that INL return the \$635,666 in expired appropriations to the Treasury, identify funds already spent from expired appropriations, and charge these expenses to appropriations legally available for expenditure.

INL could better use its personnel resources by incorporating some of its smaller NASs into regional NAS operations. This concept would be appropriate at single-officer NASs having annual program budgets of \$1 million or less and would not necessarily diminish program oversight. Closing between one and five NAS country operations could constitute funds put to better use of between \$100,000 and \$800,000, including reprogramming personnel to other bureau priorities. OIG recommended that INL evaluate this issue.

INL needs to increase field assistance visits, which provide valuable supervision over and assistance to NAS operations. The proposed schedule for field assistance visits has increased over previous years, but large country programs need to be accelerated.

INL has improved its field management controls over several narcotic program support components vulnerable to waste, fraud, and mismanagement. These

include payment of salary supplements, procurement and maintenance of vehicles, warehousing of spare parts, and travel and per diem. Controls over fuel provided to host-country units require further strengthening. OIG recommended that NAS La Paz complete implementation of its fuel control reporting and monitoring system and that INL instruct NAS Lima to develop a similar system.

Financial, Procurement, and Personnel Activities at the International Law Enforcement Academy in Budapest, Hungary (98-CI-006)

OIG reviewed the financial, procurement, and personnel activities at the International Law Enforcement Academy (ILEA) in Budapest, Hungary. Established in April 1995, ILEA is a multinational criminal justice training program being implemented by INL, the Federal Bureau of Investigation (FBI), and the Government of Hungary. Total Federal funding in support of ILEA over the 2-year period ending April 1997 was about \$11.2 million. OIG's audit of nearly \$5.1 million allotted directly by INL to Embassy Budapest for building renovations and teaching and administrative operations found that the United States and Hungary met the financial obligations in the April 1995 bilateral agreements creating ILEA and that funds were spent as intended by the agreements.

While expenditures of the \$5.1 million could generally be accounted for, OIG noted several instances in which inappropriate procedures were used by both embassy and ILEA staff to obligate and to expend ILEA funds. The Hungarian National Police experienced difficulties in managing funding for early ILEA training, and the embassy assumed control of ILEA financial administration. OIG recommended that INL reassess the Hungarian National Police's financial management capabilities with the objective of returning to an advance funding model for the majority of ILEA operational expenses as envisioned originally in the bilateral agreements. In accordance with a recommendation contained in the report, a local financial assistant will be hired at ILEA funded, in part, by INL and the FBI.

Survey of Foreign Buildings Operations for Chief Financial Officers Act Purposes (98-FM-007)

In accordance with OIG's continuing effort to assist the Department in complying with the CFO Act's requirement to produce auditable financial statements, OIG performed a survey of A/FBO. The objective was to gain an overall understanding of the financial aspects related to the Department's overseas real property, including a review of significant internal controls and applicable laws and regulations. Although

the survey was intended to obtain background information to plan for future CFO Act audits involving overseas real property, the survey also revealed a number of weaknesses that might hinder the Department in preparing financial statements.

During the review, the Department, in coordination with OIG, the Office of Management and Budget, and the General Accounting Office, developed a plan to value existing overseas real property that adheres to current government accounting regulations. However, OIG concluded that a significant amount of work will be necessary to effectively account for real property in the future.

The report discusses a number of other issues, such as A/FBO's support of and progress in the use of performance measures. OIG found that the Department had not identified all deferred maintenance and, therefore, would not be able to report an accurate amount, which is required for the FY 1998 financial statements. In addition, the Department did not identify and properly account for impaired assets, which would overstate the value of some property on the financial statements.

Financial and Administrative Operations of the American Institute in Taiwan (98-FM-008)

In 1993 and 1994, OIG reported serious administrative problems at the American Institute in Taiwan (AIT). In 1997, at the request of the Department of State's Chief Financial Officer, OIG performed a limited review of AIT to assess the status of AIT's financial audits, including the reconciliation of \$5.3 million in visa fees that AIT's certified public accountant (CPA) had previously reported as unaccounted for; to assess the implementation of AIT's new financial management system; and to conduct a general survey of AIT/Taipei's (AIT/T) administrative operations.

Although the financial audits were not completed at the time OIG issued its report, AIT's CPA indicated that it had been able to account for most of the previously unaccounted-for visa funds. In addition, full implementation of AIT's new financial management system had been delayed and was not expected until the third quarter of FY 1998.

OIG also found that AIT/T did not have an effective financial planning process; communications among the Department of State, AIT/Washington (AIT/W), and AIT/T on administrative issues were seriously deficient (although subsequent major staffing changes had apparently improved communications among

the parties considerably); and opportunities to reduce AIT/T's operating costs still need to be resolved.

In addition, OIG reviewed AIT's Defined Benefit Pension Plan and Trust and found that, although the pension plan was more generous than the prior plan and the government plans available to Civil or Foreign Service employees, there was no evidence to support an allegation that a former managing director had made misrepresentations about the plan that were relied on by others. AIT and the Department are reviewing new plan proposals and need to thoroughly research the cost of and obligations under the proposals before one is adopted.

OIG also reviewed the roles and responsibilities of the Department of State, AIT/W, and AIT/T. OIG found continuing uncertainty as to the roles and responsibilities, aggravated by inconsistencies among AIT's contract with the Department and the appointment letters and employment contracts for AIT officials. OIG recommended that AIT and the Department resolve the inconsistencies within the constraints of the Taiwan Relations Act.

Inspections

OIG issued reports in this period on the results of inspections or followup reviews of Department of State and USIA operations at 20 overseas missions and 3 domestic units; there also was a thematic review of the disciplinary and grievance system.

Embassy Madrid, Spain, Constituent Posts, and the U.S. Information Service Spain (ISP/I-98-02)

U.S. interests in Spain are gaining in importance as Spain's influence grows in the European Union and NATO. Under an able management team, Embassy Madrid has focused on Spain's smooth integration into NATO and the promotion of U.S. trade, while preparing for upcoming negotiations to renew the bilateral base agreement. Both the embassy and USIS Spain are working hard to ensure longer term U.S. interests by bolstering

Spain's basic regard for the United States, now low relative to that of most other European countries. In attempting to determine its own responsibilities for the security of the dozen or so U.S. military operations in Spain that do not come under the military theater command, the embassy will benefit from an anticipated agreement between the Departments of State and Defense. OIG concluded that it is cost effective to retain the controversial lease on the building in Seville because the heavy workload performed by the consular agency there eases the burden on the consular section in Madrid.

Embassy Lisbon, Portugal, Constituent Posts, and the U.S. Information Service Portugal (ISP/I-98-03)

Looking for a wider international role to play, Portugal has maintained its strong ties to the United States, having signed a new base agreement and helped on several international problems in Africa and Eastern Europe. U.S. ties with Portugal were improved by a procession of reciprocal high-level visits and the anticipated delivery of F-16 fighters.

But embassy policy successes, especially in the political-military area, were not translated into a common sense of purpose and good morale among embassy staff, partly because of a broad perception that mission management is more interested in issues than in people. Despite efforts to build bridges, the assignment of embassy officers to work on favored

Interagency Cooperation in Spain

The high degree of cooperation among U.S. Government agencies in Spain is noteworthy. The commercial attaché at Embassy Madrid provides transportation for economic and political officers to parts of Spain that they would otherwise be unable to visit due to the embassy's limited travel funds. In return, the attaché gains access to local government officials through the economic and political officers. Another example of multiagency cooperation was a visit by senior executives from the Spanish airport authority to the United States to view various types of airport equipment and visit a

major aerospace trade event. USIS funded the visit, and the Foreign Commercial Service, the Federal Aviation Administration, and the economic section cooperated on the project. Finally, when USIS Madrid closed its cultural center, the public affairs officer took the initiative in establishing a joint center with the agriculture and commerce attachés. By carrying out individual functions in a common location, each agency anticipates not only improved and more visible service to clients, but also improved efficiencies and economies of scale in operations and expenses.

projects, such as a more-than-traditional Fourth of July party or the American school in Lisbon, contributed to this perception. Foreign Service national (FSN) employee morale was also low, due to salary disappointments.

The International Cooperative Administrative Support Services (ICASS) system did not start well in Lisbon due to disagreements among some agencies over better services at lower cost.

U.S. Mission to the European Union, Brussels, Belgium, and the U.S. Information Service at USEU (ISP/I-98-05)

The 15-nation European Union (EU) looms large in the matrix of U.S. international relationships. In the economic area, where the EU's powers are quite broad, the U.S.-EU relationship is punctuated by highly visible, high stakes trade and agricultural negotiations, often conducted in an abrasively adversarial atmosphere, but usually successfully concluded at the last moment. The United States remains a supportive but wary observer of EU efforts to grapple with a single currency, further integration, membership expansion, and a possible future European defense role. The U.S. Mission to the EU (USEU) ably manages this complex, demanding portfolio with an impressive degree of interagency coordination. However, USEU needs to develop a missionwide approach to public diplomacy to complement and strengthen U.S. efforts to get U.S. policy views across to key EU audiences and decision makers. Agreement

has been reached on a new chancery for USEU in an office building adjacent to Embassy Brussels. The mission, together with the Department and Embassy Brussels, now needs to plan the future use of space in the new building to encompass the collocation of the separate USEU and embassy USIS operations.

Embassy Brussels, Belgium, and the U.S. Information Service Belgium (ISP/I-98-07)

The United States and Belgium are close NATO allies with a long history of working together. Embassy Brussels, although it encompasses many agencies, has an admirable sense of cohesion and resultant high morale. To better utilize its reporting officers and office space, the embassy should consolidate the political and economic functions in a single section. The embassy's joint administrative services office, which provides support to the three U.S. missions in Brussels—the embassy and the missions to NATO and the European Union—is a solid success story. It is well staffed, well funded, and provides a high level of customer service to all agencies, although corrective action is needed in a few areas to strengthen management controls. OIG recommended abolishing two Foreign Service and four Marine security guard positions in the embassy.

Consular Agencies in Spain

Embassy Madrid makes cost-effective use of consular agencies to service many of the million plus Americans who visit Spain each year. The agencies, which often receive between 25 to 75 requests per day, provide a large array of services to Americans, including emergency services. Their work alleviates significantly the burden on Embassy Madrid's and Consulate General Barcelona's consular sections, which have received substantial cuts in recent years. Several of the agencies have developed innovative solutions to problems. For example, in Seville, the consular agency has arranged for destitute Americans to receive free food at a fast food restaurant and free temporary lodging at a shelter. The agency also arranged for members of local American clubs to "adopt" an American prisoner, which has boosted prisoner morale.

Embassy Rangoon, Burma (ISP/I-98-09)

A military dictatorship rules Burma, which produces more than half of the world's opium poppies. Relations are strained and the official environment hostile. The United States has not sent an ambassador to Burma since 1990, and it imposed investment sanctions in 1997. The embassy is doing a fine job of advocating democracy, respect for human rights, and counternarcotics action, and is staying in close touch with the democratic opposition. The embassy needs clearer guidance on senior-level contacts with leaders of various ethnic groups, many of which are involved in narcotics trafficking.

The post has downsized significantly, cutting over 50 percent of the local staff and three American positions in the last 4 years. Operating expenses, however, will grow by \$500,000 in 2 years when the Burmese Government completes payment on local currency loans and the embassy will no longer have local currency to pay utilities at a preferential rate. The Department and the embassy should prepare for this eventuality. The embassy building needs refurbishment and information systems need a major upgrade. The Department and the embassy need to coordinate efforts to obtain a new general services compound.

Embassy Hanoi, Vietnam (ISP/I-98-10)

U.S. relations with communist Vietnam are expanding, although suspicions and resentment linger on both sides. The post was established in 1995, and the first American ambassador arrived in May 1997. The embassy is gradually assuming normal functions, but does not yet issue immigrant or most types of visitor visas. Issues remaining from the Vietnam War are at the forefront of the agenda, notably the need to account for missing American service personnel and dealing with refugees. Promoting American business is also a high priority. The embassy is handling all of these tasks well under difficult circumstances.

Opening a consulate general in Ho Chi Minh City (formerly Saigon) is a matter of urgency.

That city is the center of the Vietnamese economy and of the area from which many Vietnamese emigrated to the United States. A variety of refugee programs have resettled over one million Vietnamese in the United States. As the United States prepares to issue immigrant visas in Vietnam, the Department should plan for an end to these special processing programs.

Embassy Hanoi faces major real property issues. It must decide on the use of several properties owned by the United States, while renovating temporary facilities and constructing adequate permanent offices in Hanoi and Ho Chi Minh City. Gaps in administrative positions have been a severe handicap to this new and growing operation and have interfered with training the local national staff. Information systems require a major upgrade.

The Adequacy of Disciplinary Actions in the Department of State, U.S. Arms Control and Disarmament Agency, and U.S. Information Broadcasting Bureau (ISP/I-98-11)

At the request of the Chairman of the House International Relations Committee, OIG reviewed the adequacy of disciplinary actions taken by the Department of State, USIA, and ACDA in response to reports by OIG of violations of laws or regulations. OIG reviewed the pertinent administrative documentation, examined over 575 files, and interviewed more than 50 personnel representing 14 organizations and agencies. OIG concluded that, overall, the interests of the U.S. Government and the rights of employees are adequately protected by the disciplinary and grievance systems of the agencies within OIG's purview.

However, OIG made several recommendations to improve the efficiency and effectiveness of these processes. For example, while OIG was unable to assess the deterrence effect of sanctions on employees, the prevailing opinion in the law enforcement community is that deterrence works best when it is swift and certain. In the State Department,

a Foreign Service disciplinary case takes an average of 25 months to process from the time the Department receives the OIG investigative report to the initiation of the final sanction. This is not timely. Therefore, OIG proposed revising the criteria for processing Foreign Service employee discipline and grievance cases. Other recommendations include realigning parts of the State Department's organizational structure to process disciplinary action cases more expeditiously and increasing the use of neutral third parties as arbitrators in lieu of lengthy Grievance Board proceedings. These changes would result in more parallel treatment between Foreign Service and Civil Service employees. OIG also noted the lack of action within the IBB on OIG cases and the shortcomings of IBB's documentation and record-keeping efforts.

OIG also recommended that the Department seek amendments to the Foreign Service Act to limit prescriptive relief to separation for cause in disciplinary cases; raise the minimum disciplinary sanction that can be grieved to the Foreign Service Grievance Board to 15 days' suspension; limit the

maximum time to file a disciplinary grievance to no longer than 12 months from the date of decision for Foreign Service personnel posted domestically, and 18 months for those serving abroad; and, other than separation for cause, grant the Foreign Service Grievance Board the option to hear a grievance for disciplinary sanctions, rather than mandating that it comply with every hearing request. Such amendments would require congressional approval.

Embassy Moscow, Russia, Constituent Posts, and the U.S. Information Service Russia (ISP/I-98-19)

Embassy Moscow and its constituent posts find themselves in a prolonged period of transition following the demise of the Soviet Union and the emergence of a pluralistic, struggling Russian Federation. New U.S. policy approaches have yielded a more cooperative relationship with Russia, despite continuing friction over key foreign policy issues and

despite footdragging by communists and nationalists heavily represented in the political structure.

Agencies represented at the post have proliferated, outpacing the mission's ability to house them adequately. Embassy Moscow oversees a multibillion-dollar annual assistance program in three discrete baskets (NASA cooperative programs in joint space exploration, dismantlement of nuclear weapons systems under Nunn-Lugar legislation, and Freedom Support Act funded programs designed to support democratic and market reforms). The programs are difficult to coordinate and track. Vice President Gore and former Prime Minister Chernomyrdin lead semiannual binational commission meetings that provide a structured forum both for high-level handling of sensitive issues and for detailed exchanges at the cabinet levels and below. This process has led to year-long exchanges by myriad agencies and exacerbated an already crushing workload for the embassy in support of high-level visitors. A reduction in the overall level of support is in order.

Security requirements, the shaky host country infrastructure, and the difficult Russian bureaucracy make administrative management unusually time consuming and exceptionally frustrating, with negative effects on policy implementation. Embassy Moscow must start to review and roll back extraordinary measures that responded to the Soviet era. These include: the profligate costs of the official residence staff; language training in a more passive contact environment; a security regime that is

Regional Coordination in Moscow

In response to the rapid expansion of business support activities across Russia, Embassy Moscow, in close collaboration with the Special Adviser for Assistance to the New Independent States, has launched a Regional Investment Initiative, designed to pull together all activities supporting U.S. business. Regional investment coordinators will be established in four locations. Reporting to Embassy Moscow and the Office of the Special Adviser in Washington, these individuals will serve as focal points, catalysts, and clearing houses for information on matters affecting American business. The first Regional Investment Coordinator is now on the job in Novgorod, with responsibilities that include the St. Petersburg region, and recruitment is under way for the other three positions.

probably anachronistic; short tours of duty for policy officers; and the continuing sponsorship of clergy. Management controls are deficient and sometimes nonexistent. The three consulates are not fulfilling their potential because of inadequate facilities, security constraints, staffing difficulties, and insufficient administrative support by Embassy Moscow.

Embassy Ulaanbaatar, Mongolia, and the U.S. Information Service Mongolia (ISP/I-98-21)

Formerly a Soviet client, Mongolia is the only Asian country to attempt simultaneous political and economic liberalization. The embassy is supporting such change, which has been more successful on the political than the economic side. The country's national income has been dropping since 1990. The absence of an ambassador from August 1996 to December 1997 hampered management of this small, isolated post, which has only eight American direct-hire staff.

Embassy Ulaanbaatar functions under severe hardship conditions, and embassy facilities are in poor condition. Absence of capital funding has left the chancery in a constant state of renovation, with more than \$7 million spent since 1991. Office space and housing are shabby, dysfunctional, insecure, and unsafe. A new chancery and staff housing are definitely needed.

A revolving loan fund created from the sale of U.S. agricultural commodities has not been well-managed by the embassy and the Mongolian Government. Approximately \$3 million remains on the books as loans to small and medium-sized enterprises, but approximately 50 percent of the loans are nonperforming, and no new loans have been made in the last 18 months. The fund should be liquidated and remaining funds put to better use.

USIS Ulaanbaatar is well integrated with other mission elements, and its exchange programs contribute to meeting mission objectives. However, facilities for USIS are particularly bad and impede productivity. Public access should end until appropriate office space is available.

Communication and Coordination in Hong Kong

The consul general in Hong Kong has instituted several commendable practices to increase communication and coordination throughout the mission. He meets quarterly with all agencies and sections in their offices, which affords every employee at the mission the opportunity for direct, issue-oriented interchange with the consul general. He also meets monthly with senior Foreign Service national employees to discuss policy-related developments in Hong Kong. The Foreign Service national staff also participate in the orientation process for new American employees by serving as sponsors. Their expertise in local culture is particularly helpful in smoothing the transition of new arrivals to Hong Kong.

Consulate General Hong Kong, and the U.S. Information Service Hong Kong (ISP/I-98-22)

Hong Kong reverted to Chinese sovereignty in 1997, but little has changed. Hong Kong remains a gateway to China and a major financial services center. It retains substantial autonomy with its own legal system. Monitoring and encouraging Hong Kong's autonomy and its evolution toward greater democracy has become an important new function of the consulate general. It remains independent from Embassy Beijing, and the consul general has chief of mission authority. The post functions exceptionally well, although costs are high. The staff has been reduced in recent years as the primary China-watching function moved to posts on the mainland; that process should now end.

Some of the key issues that were identified in the inspection are:

- Reversion to Chinese sovereignty has not lessened the importance of the official U.S. presence in Hong Kong.
- While covering the impact of reversion on Hong Kong, the post should also increase reporting on mainland China.
- Immigrant visa work has declined dramatically, and the consular section needs to make staffing adjustments.
- Renovation of the embassy building produced an excellent facility, but use of the building during the renovation posed safety problems and interfered with operations.

Embassy Beijing, China, Constituent Posts, and the U.S. Information Service China (ISP/I-98-23)

The U.S.- China relationship is perhaps the most important of the post-cold-war era. China remains authoritarian, but it is opening to the world and loosening communist controls. The world's most populous nation has emerged as a major trading partner and an influential player on almost all global issues, from nonproliferation to climate change. The U.S. embassy in Beijing is doing an exceptional job of advancing U.S. interests under difficult conditions.

Some of the key issues that were identified in the inspection are:

- Significant expenditures are needed to improve housing, office space, and information systems at the embassy and the constituent posts in Chengdu, Guangzhou, Shanghai, and Shenyang.

- A massive increase in travel between China and the United States has taxed consular facilities to the limit. Consular sections need additional personnel and better facilities.

- China is one of the world's most difficult programming environments for USIS, but international visitor and speaker programs are effective.

- Increased effort is needed to encourage the Chinese Government to remove impediments to the operation of the U.S. mission, such as poor maintenance of diplomatic housing, the requirement that local employees be hired only through a government agency, and delays in approval for communications upgrades.

- Coordination between the embassy and consulates needs to be improved, as does reporting from the consulates.

China 2000

Credit is due to the Bureau of East Asian and Pacific Affairs and Embassy Beijing for developing and marketing a comprehensive, multiyear strategy—China 2000—to bring the mission into the next millennium. The China 2000 report, which sets forth an action plan to achieve full diplomatic readiness at Embassy Beijing and its constituent posts, captured the imagination of senior-level policy makers and has led to a commitment from the Department of State to fund and pursue the goals outlined therein. The bureau has created a small core of staff, which reports to the Assistant Secretary for Administration and meets weekly with other Department representatives, to coordinate the numerous facility, housing, systems, and personnel issues. Officials from the Office of Management and Budget, as well as congressional representatives, are also increasingly convinced of the need to pursue the China 2000 strategy.

FOLLOWUP REVIEWS

Bureau of Political-Military Affairs (ISP/C-98-01)

Compliance by the Bureau of Political-Military Affairs (PM) with the recommendations from a 1995 inspection was, on the whole, outstanding. Equal employment opportunity issues raised by the original inspection are now being addressed properly and aired at senior levels. PM is also making preparations for consolidation with the U.S. Arms Control and Disarmament Agency. One followup recommendation was issued by OIG to prepare PM for consolidation by updating present position descriptions for Foreign Service and Civil Service employees.

Office of the Special Advisor to the New Independent States and Office of the Coordinator for U.S. Assistance to the New Independent States (ISP/C-98-04)

In February 1997, the Deputy Secretary decided to reopen the issue of a new regional bureau for Russia and the 11 other New Independent States. At the same time, the Office of the Special Advisor to the Secretary for New Independent States decided to proceed with an internal reorganization, based in part upon some of the 1995 inspection recommendations. Prompted by these events, and to resolve the nine recommendations remaining open, OIG undertook its long-planned followup inspection.

The primary focus of the followup review was the awkward and cumbersome structure that

divided responsibilities among three organizationally distinct entities: the Office of Independent States and Commonwealth Affairs, the Office of the Special Advisor to the Secretary for New Independent States, and the Office of the Coordinator for U.S. Assistance to the New Independent States. A total of six recommendations were modified or combined, and then reissued to help facilitate the structural changes needed to clarify responsibilities.

programming emphasis, increased regionalization, and the application of state-of-the-art technology for disseminating information. The results are worthy of emulation by other posts.

The 1996 inspection found shortages in consular staffing at Frankfurt, insufficient attention to supervision of consular functions mission-wide, inappropriately graded senior consular positions, and a failed system for handling telephonic consular inquiries. Progress has been made on all these fronts, but the telephonic consular information system remains totally inadequate and requires more attention from post management.

Embassy Bonn, Germany, Constituent Posts, and the U.S. Information Service Germany (ISP/C-98-08)

Embassy Bonn and the United States Information Agency (USIA) made generally excellent progress in complying with most of the recommendations from the 1996 inspection report.

The 1996 inspection found that real property management decisions by the Department were urgently needed to keep on schedule the embassy's move to Berlin and in consolidating regional activities in Frankfurt by the year 2000. The followup inspection found that some decisions had been made, but not implemented; others, considered urgent by the 1996 inspection, still had not been made. The followup inspection concluded that intervention by the State Department's highest levels of management was needed to secure funding and to break bureaucratic logjams.

USIS operations are undergoing an appropriate 4-year downsizing of approximately 50 percent. Downsizing has brought about a major shift in

Embassy La Paz, Bolivia (ISP/C-98-12)

The followup review found that Embassy La Paz' overriding focus on counternarcotics remains unchanged and confirmed the embassy's diligent efforts to combat coca cultivation and cocaine trafficking. The review noted fuller country team involvement in the embassy's counternarcotics strategy and development of a detailed "Bolivianization Plan," as recommended in the 1996 inspection report. Embassy La Paz understands fully that the counternarcotics strategy is, in the final analysis, dependent on the willingness of the Bolivian Government to undertake full responsibility for the eradication of coca from its lands. The embassy assumes that its perseverance will, in time, be rewarded. With the exception of those noted above, the recommendations issued in the 1996 inspection report were overwhelmingly operational in nature. Embassy La Paz' compliance with these recommendations was very good. Only two of the original recommendations were reissued by OIG in their original or modified form.

Embassy Helsinki, Finland (ISP/C-98-13), **Embassy Stockholm, Sweden** (ISP/C-98-14), **Embassy Oslo, Norway** (ISP/C-98-15)

OIG conducted compliance followup reviews of embassies in Helsinki, Oslo, and Stockholm during November and December 1997. Overall policy implementation, executive direction, and management controls at all three missions had improved since the 1996 inspection. The two primary issues that remain deal with language training and the use of official residence expenses.

Embassy Brasilia, Brazil, and Constituent Posts (ISP/C-98-17)

Although Embassy Brasilia was occasionally slow in responding to recommendations from the 1995 OIG inspection, compliance efforts made by the mission and the Department were satisfactory. Recommendations involving real property and dependent on Brazilian reciprocity proved to be the most intractable to resolve, notwithstanding the attention of both the ambassador and senior officials in the Department. The followup review highlighted the need for the Department and Embassy Brasilia to devise a strategy to resolve real property issues. While noting that intra-country coordination had improved, the followup review also drew attention to a need for even greater coordination of country team activities. Reflecting the fact that Consulates General Rio de Janeiro and Sao Paulo are among

the world's top five nonimmigrant visa issuing posts, six of the review's nine recommendations were aimed at building upon Mission Brasilia's success since 1995 in managing its consular workload.

Embassy Islamabad and Constituent Posts (ISP/C-98-18)

The compliance followup review of the 1996 inspection of Embassy Islamabad and its constituent posts found that compliance with OIG's recommendations has been excellent; all but three recommendations have been closed. The embassy has significantly downsized Consulate Lahore, improved internal controls, and consolidated some functions in Islamabad. The three recommendations that remained open are being implemented.

The followup review, however, identified several new significant problems and made recommendations to address them. Consulate General Karachi was found to be a troubled post with low morale. A change to a more open and inclusive style of management, which is currently being attempted, is sorely needed. A decision is needed on a usage plan for residences in Karachi, many of which exceed the Department's size standard. A decision is also pending on whether to retain the consulate general office building in Karachi or build a new facility. In the meantime, repairs to keep the building habitable have not been made.

Consulate Lahore has excess space as a result of downsizing. Cost savings and increased efficiency in meeting mission goals would be achieved by moving USIS Lahore out of its leased space and into the consulate's vacant space.

The contract local guards in Pakistan work excessively long hours and make less than 25 cents per hour. Such conditions adversely affect morale and performance. The guard contract, which has been in effect since 1989, needs to be recompeted.

Embassy Dhaka, Bangladesh (ISP/C-98-20)

The followup review of the 1996 inspection of Embassy Dhaka found that compliance with OIG's recommendations has been exemplary. All but one of the recommendations have been implemented. The one remaining recommendation concerned installation of a system to allow the embassy to communicate electronically with the Bangkok Finance Service Center and consolidation at the center of all such offshore support for the post. Both of these somewhat complex efforts are proceeding and are expected to be completed.

Current development of Bangladesh's natural gas resources and the interest of U.S. firms in the development of the gas fields and sales of related equipment have greatly increased the commercial workload of the post to the point where the economic/commercial officer staffing level is no longer adequate. The recommendation to eliminate an economic/commercial officer position, which had already been acted upon, has been reversed, and the post should reestablish that position.

Embassy Port Moresby, Papua New Guinea (ISP/C-98-24)

The low level of U.S. activities, U.S. interests, and U.S. programs in Papua New Guinea does not justify the level of resources and personnel devoted to maintaining the current U.S. mission structure. The Department needs to realistically reassess basic U.S. interests in the country and the resource level needed to achieve U.S. objectives. This assessment should include such options as restructuring Embassy Port Moresby to create a smaller, more flexible mission, as well as looking at the applicability of the American Presence Post concept and of concurrent representation from one of the larger regional missions.

Since the 1997 closure of the USIS office in Port Moresby the embassy must manage the U.S. public diplomacy portfolio on its own, with very limited resources. The Department and USIA need to develop small, flexible regional programs in support of small missions to fill the public diplomacy vacuum left by the closure of USIS posts.

Security and Intelligence Oversight

During the reporting period, the OIG Office of Security and Intelligence Oversight (SIO) completed audits on the management of the security equipment life cycle and security functions at USIA, conducted inspections or followup reviews at 16 overseas posts, and reviewed the status of the secure chancery facilities in Moscow. Because SIO reports discuss specific security vulnerabilities of the Department and its posts, only unclassified synopses of the inspection, followup review, and audit findings are included in this semiannual report. Details of all SIO reports are found in the classified annex to this report, which has limited distribution.

AUDITS

Management of the Security Equipment Life Cycle (SIO/A-98-17)

Congress provided substantial funding to the State Department during the early and middle 1980s for a wide range of security enhancements to protect U.S. personnel and facilities against increasing threats from foreign intelligence services and a rising level of terrorist activity. The funding enabled the Department to improve its protection of personnel, facilities, and national security information through a major investment in security equipment items such as vehicle barriers, alarms, closed-circuit television systems, and other devices. The Bureau of Diplomatic Security (DS) estimates that over 100,000 security equipment items with a combined value of about \$100 million are installed at U.S. diplomatic posts overseas. The annual cost of maintaining, repairing, and replacing this equipment is estimated at

\$14 million. This audit was undertaken in view of the large amount of security equipment installed during the 1980s that may be reaching the end of its expected life. The objective was to determine whether DS was effectively managing all phases of the security equipment life cycle and following an orderly program for replacing security equipment in accordance with predetermined minimum replacement standards.

The audit disclosed that DS has recently taken several actions to improve its management of the security equipment life cycle. Most notably, DS acknowledged complete accountability for the successful operation of more than 100 items of security equipment. In addition, procedures were approved which provide DS substantially more control over the selection of security equipment for construction projects managed by A/FBO.

INSPECTIONS

Embassy Ankara, Turkey (SIO/I-98-02)

The 1992 security inspection of the mission and the followup review the following year both emphasized the need to relocate the Consulate General in Istanbul. Since no relocation is likely to occur for at least 10 years, OIG recommended in this inspection that specific, cost-effective physical security improvements be incorporated into the current upgrade project. OIG reviewed the embassy's role in security oversight of U.S. military personnel assigned to units in Turkey and commended the mission's initiative to ensure effective security management.

Embassy Caracas, Venezuela (SIO/I-98-14)

This security oversight inspection provided the first such assessment of Embassy Caracas. Problems exist regarding procedural security in the chancery and the U.S. military group.

Residential Security —Embassy Caracas

The residences of official Americans in Caracas were continually being burglarized, until the post's Emergency Action Committee adopted and implemented an "apartments only" housing policy. Since then, the only attempted or actual burglaries have involved two houses of U.S. military group personnel who have off-compound work locations and are therefore allowed to continue leasing single-family residences.

Embassy Belize City, Belize (SIO/I-98-15)

Embassy Belize City's chancery needs to be replaced. The mission's problems are compounded by the lack of a resident regional security officer (RSO) in Belize City and a local guard force that needs improvement.

Embassy Conakry, Guinea (SIO/I-98-05)

The official U.S. presence in Guinea includes representatives from the State Department, U.S. Agency for International Development, the Peace Corps, and USIS. Although physical conditions are difficult, staff morale is high, and all employees work together to pursue U.S. diplomatic interests in Guinea. Better facilities are needed to further these interests.

Embassy Curaçao, Netherlands Antilles (SIO/I-98-16)

Since Consulate General Curaçao has been on and off the Department's closure list over the last five years, security at the post needs improvement. Physical and procedural security fixes are top priorities. A professional security officer is needed for several weeks to restore Consulate General Curaçao's security program to an acceptable level.

In addition to its own security programs, Consulate General Curaçao, with RSO support from Caracas, Venezuela, is responsible for the security of U.S. personnel and facilities in Aruba. The facility in Aruba, which only conducts U.S. Immigration and Naturalization Services, is located inside the international airport. This facility benefits from the customary physical security protection provided by its airport location. However, residential security would benefit from a central alarm monitoring system.

Embassy Panama City, Panama (SIO/I-98-12)

Embassy Panama City, with a large and well-managed security program, is hampered by inadequate facilities. The chancery, first occupied in the 1940s, is too small for the embassy's current needs and most mission personnel work outside the chancery.

Embassy Quito, Ecuador, and Constituent Posts (SIO/I-98-09)

Embassy Quito's management officials are rebuilding several aspects of the mission's security program. Procedural and residential security and local guard issues are high priorities. The recently arrived RSO clearly established a positive reversal in operational management of the mission's security office. The flooding contingency plan did not address the El Niño weather phenomenon, which was predicted to cause widespread flooding in the Guayaquil region during the winter of 1997-98. Automatic alert and credible response capabilities would significantly improve residential security. RSO staffing also needs to be addressed.

Embassy Singapore, Singapore (SIO/I-98-01)

Embassy Singapore recently moved into a new office building that was constructed to the highest security standards. However, some physical and procedural security enhancements are still needed. The embassy's RSO needs additional support, and OIG recommended approval of a full-time investigator.

Secure Chancery Facilities Construction Project in Moscow (SIO/M-98-08)

The most recent report on the Secure Chancery Facilities construction project in Moscow described oversight work accomplished from April to October 1997. Generally, the oversight team found that the project was proceeding in a satisfactory manner.

Modular Construction Program — Ashgabat

Under the Department's modular construction program, which OIG was able to observe firsthand during a followup review at Embassy Ashgabat, the Department purchases units built in the United States and has them securely transported to overseas posts, where they are reassembled. This construction approach mitigates many of the security concerns associated with either rehabilitating an existing structure or building a new facility solely in country. The facility constructed in Ashgabat provides a secure working environment that is clean, modern, and aesthetically pleasing.

FOLLOWUP REVIEWS

Embassy Ashgabat, Turkmenistan (SIO/C-98-04)

The security of Embassy Ashgabat has improved considerably since the OIG inspection conducted in October 1995. The ambassador, a trained post security officer, and a responsive regional security officer (resident in Tashkent) have all contributed to the overall progress. Physical security is especially good. The chancery is one of the first prefabricated modular embassies to be assembled overseas.

Embassy Lome, Togo (SIO/C-98-06)

The overall level of compliance with the 1996 OIG inspection was good. However, Embassy Lome should be relocated. Work still needs to be done on a variety of technical and information security issues, as well as emergency preparedness.

Embassy Tashkent, Uzbekistan (SIO/C-98-11)

Embassy Tashkent's response to recommendations from the October 1995 OIG security oversight inspection was excellent. Improvements were achieved in all areas, especially procedural security and physical security of the chancery. More attention needs to be given to emergency preparedness and residential security.

Embassy Tbilisi, Georgia (SIO/C-98-07)

The overall level of compliance with the 1996 inspection report was acceptable. Embassy Tbilisi took timely action to deal with many of the vulnerabilities noted in the May 1996 OIG inspection report and, as a result, overall security has been enhanced.

Movement of the U.S. Agency for International Development offices to a building that abuts the chancery also constitutes a significant enhancement to security.

Embassy Tokyo, Japan, and Constituent Posts (SIO/C-98-13)

Overall action by Embassy Tokyo and the Department in complying with the recommendations from the 1995 OIG security oversight inspection was commendable. Most of those recommendations were closed. While more assistance needs to be extended to the constituent posts, OIG found security personnel at Embassy Tokyo knowledgeable and effective. Also, OIG discussions at CINCPAC headquarters in Hawaii and at Embassy Tokyo indicate a high level of civilian-military cooperation on matters of security and force protection.

Embassy Yerevan, Armenia (SIO/C-98-10)

The overall level of compliance with recommendations made in the 1996 inspection report was acceptable. Embassy and Department managers demonstrated support for security by taking a number of steps to enhance security since the last inspection.

Investigations

During the reporting period, the Office of Investigations opened a total of 72 cases and closed 81 cases; a total of 32 cases were referred for criminal prosecution, and 17 were referred for administrative action.

Embezzlement

OIG received information from the Bureau of Finance and Management Policy's International Financial Services Directorate in April 1997, indicating the possibility that an employee at the Charleston Financial Services Center (CFSC), Charleston, South Carolina, had taken Department funds. When interviewed by OIG agents, the employee confessed to stealing Department funds by making unauthorized electronic fund transfer payments to his own account and to an account held by another individual. The employee stated that he had used most of the funds to purchase cocaine. On November 7, 1997, the employee resigned from the Department. On November 10, he entered into a plea agreement with the U.S. Attorney's Office, Charleston, South Carolina, agreeing to plead guilty to all 19 counts of a grand jury indictment charging him with misuse of public funds by a disbursing officer. He agreed that the extent of his theft was not less than \$193,807.75, the amount that investigators had firmly established as having been embezzled.

Ambassador Cleared of Wrongdoing

Central America. A U.S. television network ran a program that left the viewer with the perception that a U.S. ambassador and his wife may have been involved in harboring an American fugitive from justice and misusing U.S. Government property and resources to facilitate their involvement. OIG developed no evidence that U.S. Government property or resources were misused or that the ambassador or his wife exerted any improper influence. The investigation determined that the media account inaccurately portrayed wrongdoing on the part of the ambassador and his wife. (97-115)

On March 9, 1998, two other individuals, who are not government employees, were indicted for conspiracy, theft of public funds, and money laundering in connection with their involvement in this scheme. The Internal Revenue Service, Criminal Investigation Division, and the FBI have worked with OIG on aspects of this investigation. (See *OIG Semiannual Report, April 1 to September 30, 1997, p. 27*) (97-081)

Theft

OIG initiated an investigation in May 1997, when notified by the director of a passport agency that eight passports were missing from the inventory. It was discovered through a computer trace that the eight passports had been sent to the book print section during routine processing on April 18, 1997. The 8 passports were part of a batch that contained 19 passports. On April 18, 1997, the batch was sent to the assembly section to have the photos attached and laminated; however, eight passports were missing. OIG conducted a number of interviews and record reviews at the passport agency and determined that an employee had removed and destroyed the eight passports because they had been misprinted. The employee subsequently admitted to the removal and destruction of the passports, stating it was an attempt to hide the misprinting mistake. OIG agents verified that the passports had been destroyed. The employee resigned from the Department. (97-112)

- In November 1997, information received from another agency resulted in OIG initiating a theft investigation at a U.S. embassy. Information was developed that a former contractor at the embassy had stolen government property and could provide information about similar activities by embassy personnel. After coordination

with the U.S. Attorney's Office for the Southern District of Indiana, the former contractor was offered limited immunity, provided he cooperate with OIG by identifying other individuals presently employed by the embassy. The individual agreed and provided the names of three FSN employees who had stolen embassy property. The information was coordinated with the regional security office at the post and the employment of the FSN employees was terminated. (98-016)

- In November 1997, OIG initiated an investigation with the Arlington County, Virginia, Police Department into a theft of cash from an employee at one of the State Department's annexes. OIG agents determined that several employees had been the victims of thefts from their work areas. An employee was identified as a suspect and, upon being interviewed, confessed to stealing approximately \$3,800 from coworkers over a period of time.

In March 1998, the employee resigned from the Department and was arrested by Arlington County Police on charges of theft. (98-021)

Misuse of Government Equipment

In August 1996, OIG received a Hotline call alleging that employees in the Bureau of Information Management were accepting private contracts and using government equipment and supplies to complete the contracts. OIG interviewed several bureau employees, who stated that they had knowledge of other employees using the equipment for personal business. Specifically, copies of business flyers and promotional event flyers were turned over to OIG as evidence of such abuses. OIG conducted several subject interviews and a bureau employee admitted to

printing business flyers for a friend's hair salon business. A referral for administrative action was submitted to the Bureau of Information Management in December 1997. Also, a Management Implication Report (MIR) was submitted to the bureau requiring it to take steps to ensure that government equipment not be used for personal business. The bureau responded to the MIR in March 1998 with new management procedures to account for materials used and issued directives to reduce personal use of printing equipment. (96-172)

Misuse of Official Position

OIG received information in October 1995 that a Foreign Service officer violated U.S. Government nepotism regulations by hiring a family member as a secretary and allowing the individual to work in classified areas without the appropriate security clearance. The officer's relative was also paid for overtime that was not justified. On September 12, 1997, OIG forwarded an Administrative Report to the Department's Bureau of Personnel. On October 22, 1997, the Bureau of Personnel proposed that the officer receive a 3-day suspension without pay. In February 1998, the proposed suspension was reduced to a letter of reprimand. (96-003)

Attempted Fraud of Host Country Government

An investigation was initiated in September 1997, when OIG received information from an ambassador at an African post regarding an American citizen trying to defraud the host country government. Specifically, the American citizen had allegedly shown host government officials "Humanitarian Treasury Bonds" as an indication of his wealth in an effort to secure loans from that country. Several investigative checks by OIG revealed that the American citizen had an outstanding arrest warrant for wire fraud by the FBI and liens of \$1.8 million by the Internal Revenue Service. The FBI was contacted and notified of the American citizen's whereabouts. On November 11, 1997, OIG was notified by the FBI that the American citizen was deported from England to Detroit, Michigan, where he was arrested. (97-150)

Passport Fraud

OIG initiated a passport fraud investigation when it was discovered, through a theft investigation at a passport agency, that a fraudulent passport application had been submitted to secure a U.S. passport. The investigation, conducted jointly with the Bureau of Diplomatic Security (DS), revealed that an illegal alien had solicited the help of a U.S. citizen to obtain a passport for the illegal alien's daughter. Specifically, the U.S. citizen used her daughter's birth certificate and biographic data to prepare and submit a passport application bearing the photograph of the illegal alien's daughter. Once the passport was received it was sold to the illegal alien. After interviews with the U.S. citizen and illegal alien, both confessed their involvement in

the scheme. Both subjects were arrested on felony warrants and were subsequently prosecuted by the U.S. Attorney's Office, District of Columbia. The U.S. citizen pleaded guilty to one count of fraud activity in connection with identification documents and was sentenced to three months of electronically monitored home detention and one year of supervised release. The illegal alien agreed to be placed in a pretrial Diversion program that will be completed by March 25, 1998. (96-193)

- OIG received information from the Postal Inspection Service that a U.S. passport had been recovered as part of a cache of stolen mail located during the execution of a search warrant on a storage locker near Los Angeles, California. The individual who had rented the storage locker, a Nigerian national, was under investigation by postal inspectors for theft and financial fraud. It was determined

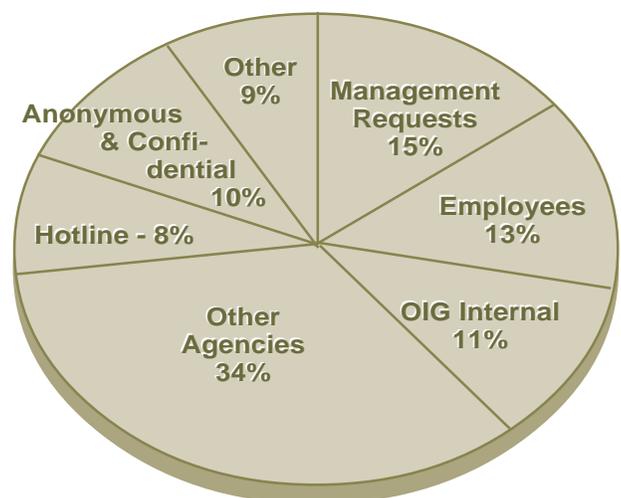
that the passport had been mailed from the Los Angeles Passport Agency to a legitimate passport applicant, but had not been received by that individual. Further investigation led to the indictment of the Nigerian national on February 13, 1998, on ten felony counts, including theft of the U.S. passport. (97-002)

- OIG was informed by the U.S. Marshals Service that they had found a fraudulent U.S. passport, along with other fraudulent documentation, while arresting a fugitive alien who was in the United States illegally after having been deported as the result of drug conspiracy charges. The fugitive was charged with reentry of a deported alien and incarcerated pending deportation proceedings. OIG's investigation developed evidence of a conspiracy involving

Types of Cases*



Sources of Allegations*



*(Charts reflect combined investigative activities for the Department of State, ACDA, and USIA, including the BBG.)

Geographic Distribution of Investigations*



this fugitive and two other individuals to smuggle cocaine from South America to the United States. One of the conspirators assisted the fugitive in obtaining this passport under an assumed identity by submitting fraudulent documentation in support of the passport application. The passport was used for travel between the United States and Colombia, South America, on several occasions. This conspirator was indicted by a Federal grand jury on passport fraud charges, but died from a self-inflicted gunshot wound prior to any further judicial action. (95-199)

Management Implication Report

OIG initiated an investigation in October 1997, based upon information received from A/FBO indicating the possible theft of a Government-owned laptop computer valued at approximately \$7,000. A bureau employee had requested and received the computer, had ceased to report for work, and was being listed as absent without leave. Attempts by A/FBO supervisory personnel to contact the employee to have the computer returned were not productive.

The investigation determined that the employee had never had a valid operational reason to request

or obtain the computer. It was determined that the only requirements for issuance of a computer were that the requester had to be employed in A/FBO and had to present a valid building pass. No supervisory authorization was required. In this instance, the employee's supervisor stated that had she been asked to authorize the issuance of a computer to this employee, she would not have done so.

When located and interviewed by OIG, the employee claimed no knowledge of the current location of the computer. Subsequent to this interview, the employee resigned from the Department. Some time later, the computer was

discovered by the former employee's family, and was returned to A/FBO. On November 24, 1997, OIG provided an MIR to A/FBO, describing the situation and recommending changes. On January 28, 1998, A/FBO stated that it concurred with the recommendations and would take the steps necessary to implement them. (98-006)

Administrative Referral

Employee Misconduct. An OIG investigation was initiated based upon a request from a Member of Congress who had received allegations that personnel at a U.S. embassy and at the Department of State failed to aid an American citizen in distress. The investigation revealed that the citizen was incarcerated by local police, sustained serious injuries during this

incarceration, and was transported to the nearest mental hospital. Upon arrival at the mental hospital it was discovered that this individual had sustained a broken neck, and the individual was admitted to a medical hospital. At no time was the citizen directly contacted by anyone from the embassy. The citizen died a week later from these injuries. This matter was referred to the Director General of the Foreign Service and Director of Personnel, who imposed a 10-day suspension on an embassy consular officer responsible for American citizen services; a 3-day suspension on his superior at the post; and a letter of reprimand to a Department employee in Washington. The Director General determined that the State Department employees displayed poor judgment in that they failed to comply with published regulations and that their actions affected the agency's ability to carry out its responsibilities and mission. (96-167)

Hotline

The OIG Hotline, operated by the Office of Investigations, is a prompt, effective channel for employees to report incidents of waste, fraud, abuse, and mismanagement to the Inspector General. The following table provides a summary of Hotline activity for all of the agencies for which OIG has oversight.

Total allegations received	153
Held for action within OIG	37
Referred to other offices for action	108
Not substantiated—no action necessary	8

Appendix 1: Investigative Activities¹

Workload		Total Judicial Actions	60
Cases pending 9/30/97	164	Criminal	
New cases opened	61	Prosecutive referrals	27
Cases closed	70	Prosecutive declinations	20
Cases pending 3/31/98	155	Prosecutive dismissals	0
		Acquittals	0
Total Administrative Actions	29	Indictments ²	7
Admonishments	0	Convictions	2
Counseling	0	Sentencings	3
Curtailement	0	Time sentenced	11 months
Debarments	2	Time suspended	0
Demotions	0	Time probation	7 years
Reimbursements	1	Court-ordered fines	\$10,000
Reprimands	3	Court-ordered restitutions	0
Resignations	4	Civil	
Suspensions	4	Referrals	0
Terminations	1	Declinations	0
Administrative referrals	12	Complaints	0
PFCRA ³ referrals	0	Judgments	0
PFCRA declination	0	Recoveries	0
PFCRA reimbursements	0	Total judgments and recoveries	0
Savings	2		

Administrative recoveries ⁴	\$21,276
Judicial recoveries ⁵	\$10,000
Total Investigative Recoveries	\$31,276

¹ This appendix reflects investigative statistics for the Department of State only. Please see pages 46, 56, and 60 for investigative statistics related to USIA, BBG, and ACDA, respectively.

² Indictments include formal criminal charges brought against a subject. The manner in which charges are brought varies from country to country.

³ Program Fraud and Civil Remedies Act.

⁴ Includes recoveries from administrative actions, such as reimbursements and savings.

⁵ Includes recoveries from judicial actions, including court-ordered fines and restitutions and civil judgments and recoveries.

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Office of Audits

98-CG-001	Review of Selected Management and Financial Practices of Multinational Force and Observers	10/97
98-FM-002	Central Financial Management System Access Control Test Results	1/98
98-PP-003	Administration of Government Housing	2/98
98-CI-004	Narcotics Program Management Issues	3/98
98-CI-006	Financial, Procurement, and Personnel Activities at International Law Enforcement Academy in Budapest, Hungary	2/98
98-FM-007	Survey of Foreign Building Operations for Chief Financial Officers Act Purposes	1/98
98-FM-008	Financial and Administrative Operations of the American Institute in Taiwan	3/98

Office of Inspections

ISP/I-98-02	Embassy Madrid, Spain, Constituent Posts, and USIS Spain	11/97
ISP/I-98-03	Embassy Lisbon , Portugal, Constituent Posts, and USIS Portugal	11/97
ISP/I-98-05	U.S. Mission to the European Union, Brussels, Belgium, and USIS USEU	12/97
ISP/I-98-06	Embassy Bandar Seri Begawan, Brunei	1/98
ISP/I-98-07	Embassy Brussels, Belgium, and USIS Belgium	11/97
ISP/I-98-09	Embassy Rangoon, Burma	1/98
ISP/I-98-10	Embassy Hanoi, Vietnam	1/98
ISP/I-98-11	The Adequacy of Disciplinary Actions in the Department of State, ACDA, USIA, and IBB	1/98
ISP/I-98-16	Office of Director General, and Selected Bureau of Personnel Operations	3/98
ISP/I-98-19	Embassy Moscow, Russia, Constituent Posts, and USIS Russia	3/98
ISP/I-98-21	Embassy Ulaanbaatar, Mongolia, and USIS Mongolia	3/98
ISP/I-98-22	Consulate General Hong Kong and USIS Hong Kong	3/98
ISP/I-98-23	Embassy Beijing, China, Constituent Posts, and USIS China	3/98

Followup Reviews

ISP/C-98-01	Bureau of Political-Military Affairs	1/98
ISP/C-98-04	The Office of the Special Advisor to the Secretary for the New Independent States and Office of the Coordinator for U.S. Assistance to the New Independent States	12/97
ISP/C-98-12	Embassy La Paz, Bolivia	2/98
ISP/C-98-08	Embassy Bonn, Germany, Constituent Posts, and USIS Germany	1/98
ISP/C-98-13	Embassy Helsinki, Finland	2/98
ISP/C-98-14	Embassy Stockholm, Sweden	2/98
ISP/C-98-15	Embassy Oslo, Norway	2/98
ISP/C-98-17	Embassy Brasilia, Brazil, and Constituent Posts	3/98
ISP/C-98-18	Embassy Islamabad, Pakistan, and Constituent Posts	2/98
ISP/C-98-20	Embassy Dhaka, Bangladesh	2/98
ISP/C-98-24	Embassy Port Moresby, Papua New Guinea	3/98

Office of Security and Intelligence Oversight

(Classified SIO reports are summarized in more detail in the classified annex to this semiannual report.)

Audits

SIO/A-98-17 Management of the Security Equipment Life Cycle 3/98

Inspections

SIO/I-98-01 Embassy Singapore, Singapore 10/97

SIO/I-98-02 Embassy Ankara, Turkey, and Constituent Post 10/97

SIO/I-98-05 Embassy Conakry, Guinea 11/97

SIO/M-98-08 Secure Chancery Facilities Construction Project in Moscow 1/98

SIO/I-98-09 Embassy Quito, Ecuador, and Constituent Posts 2/98

SIO/I-98-12 Embassy Panama City, Panama 3/98

SIO/I-98-14 Embassy Caracas, Venezuela 3/98

SIO/I-98-15 Embassy Belize City, Belize 3/98

SIO/I-98-16 Consulate General Curaçao, Netherlands Antilles, and Constituent Post 3/98

SIO/X-98-18 Embassy Oversight Review 3/98

SIO/X-98-19 Embassy Oversight Review 3/98

Followup Reviews

SIO/C-98-04 Embassy Ashgabat, Turkmenistan 1/98

SIO/C-98-06 Embassy Lome, Togo 12/97

SIO/C-98-07 Embassy Tbilisi, Georgia 12/97

SIO/C-98-10 Embassy Yerevan, Armenia 2/98

SIO/C-98-11 Embassy Tashkent, Uzbekistan 2/98

SIO/C-98-13 Embassy Tokyo, Japan 3/98

Contract Audits

Vendor	Audit Number	Type
KCF-SHG, Inc.	PA-BB-CG-98-69	Labor Hour Rates
GHT Limited	PA-BB-CG-98-69a	Labor Hour Rates
RDR, Inc.	PA-BB-CG-98-68	Labor Hour Rates
Davis Brody Bond, LLP	PA-BB-CG-98-67	Labor Hour Rates
Flack & Kurtz, Consulting Engineers, LLP	PA-BB-CG-98-67a	Labor Hour Rates
Sorg & Associates	PA-BB-CG-98-72	Labor Hour Rates
Landsburg Engineering, P.C.	PA-BB-CG-98-72a	Labor Hour Rates
Pal-Technologies, Inc.	PA-BB-CG-98-71	Labor Hour Rates
Applied Business Technologies, Inc.	PA-BB-CG-98-71a	Labor Hour Rates
Charlotte Sister Cities, Inc.	PA-BB-CG-98-70	Financial Mgt. Review
Argus Project, Inc.	PA-BB-CG-98-70a	Financial Mgt. Review

Appendix 3: Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS¹
WITH QUESTIONED COSTS²

	Number of Reports	(Dollars in thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
A.1. Adjustments	0	0	0
A.2. Adjusted Balance	0	0	0
B. Which were issued during the reporting period	2	781	0 ³
Subtotals (A.2. + B.)	2	781	0
C. For which a management decision was made during the reporting period	1	636	0
— based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	1	636	0
(ii) dollar value of costs not disallowed			
D. For which no management decision has been made by the end of the reporting period	1	145	0
Reports for which no management decision was made within 6 months of issuance	0	0	0

¹ Includes audit reports issued by the Office of Audits and by the Office of Security and Intelligence Oversight.

² Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

³ One of the reports had both a questioned cost and funds to be put to better use.

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE¹

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	3	4,526
A.1. Adjustments	0	0
A.2. Adjusted balance	0	0
B. Which were issued during the reporting period	3	1,020 ²
Subtotals (A. + B.)	6	5,546
C. For which a management decision was made during the reporting period	3	1,700
(i) dollar value of recommendations that were agreed to by management	2	1,100
— based on proposed management action		
— based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	1	600
D. For which no management decision has been made by the end of this reporting period	3	3,846
Reports for which no management decision was made within 6 months of issuance	2	3,526

¹ A “recommendation that funds be put to better use” is a recommendation by the OIG that funds could be used more efficiently if Department management took actions to implement and complete the recommendation, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

² One of the reports had both a questioned cost and funds to be put to better use.

Appendix 4: Resolution of Reports & Recommendations

Previously Reported Significant Audit Recommendations¹ Pending Final Action²

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
3-PP-014		<i>Maintenance and Repair of Buildings Overseas</i>	9/30/93
	1.	Develop a system to identify and monitor the worldwide backlog of maintenance and repair deficiencies, including determining an acceptable level for the backlog and periodically updating the backlog for corrective action taken, additional deficiencies identified, and improved cost estimates.	
4-FM-014		<i>Followup Audit of Expenditures from the Appropriation for Emergencies in the Diplomatic and Consular Service</i>	3/31/94
	7.	Develop and issue formal policies and detailed procedures for K Fund operations, identifying the restrictions on the use of the funds, responsibilities for specific K Fund functions, and internal controls required.	
5-FM-007		<i>Review of Financial Systems Development</i>	3/31/95
	2.	The Under Secretary for Management review the current alignment of resources and responsibilities for system acquisition and development in the Department and determine the optimal management arrangement for system acquisition and development.	

¹ Includes audit recommendations reported as significant in semiannual reports prior to September 30, 1997, on which Department management has agreed to take corrective action but for which those actions are not yet complete.

² Final action is recorded when a proposed course of action in response to a recommendation has been accepted by OIG and completed by management to OIG's satisfaction.

SUMMARY OF AUDIT REPORTS

Without Management Decision for More than Six Months

Software Maintenance (6-IM-003), October 1995

Summary: OIG recommended that the Foreign Service Institute, in conjunction with the Bureau of Administration's Office of Information Management and Office of Acquisitions, ensure that the training curriculum, specifically tailored to meet the needs of contracting officer representatives, adequately meets the needs of those who will monitor software maintenance contracts and ensure that only those who complete the curriculum are designated as software maintenance contract monitors.

Reason Unresolved: While A/IM, M/FSI, and A/OPR/ACQ concur that the contracting officer representative training curriculum should be improved, there are currently no plans to implement this recommendation.

Gift Funds (7-FM-001), November 1996

Summary: OIG recommended that the Bureau of Finance and Management Policy, in conjunction with Fund activities, review current accounting and operational policies and procedures for the Fund and develop new ones, if appropriate.

Reason Unresolved: The Bureau of Finance and Management Policy stated that it does not have the authority or responsibility for developing and implementing operating procedures for program office. However, M has assigned FMP as the overall Fund manager for gift funds. Therefore, OIG believes FMP is responsible for this recommendation.

To be resolved by: December 1998

Counternarcotics Certification Process Review (7-CI-004), December 1996

Summary: OIG recommended that INL, in consultation with the appropriate Department offices and outside agencies, formulate an interpretation of full counternarcotics cooperation and full compliance with the 1988 United Nations Convention, and disseminate this interpretation annually to posts and the counternarcotics community.

Reason unresolved: INL disagreed with this recommendation. INL and OIG agreed to obtain the views of the Office of the Under Secretary for Global Affairs (G), which was conducting an internal review of the certification process. OIG has contacted G on this issue and is awaiting the outcome of the review to determine if the recommendation has been adequately considered.

To be resolved by: April 1998

SUMMARY OF AUDIT REPORTS

Without Management Decision for More than Six Months

American Citizen Services Overseas Program (7-CI-007), March 1997

Summary: OIG recommended that consular officers be permitted to delegate the responsibility for prison visits. Consular officers should be required to visit prisoners in those instances where mistreatment or violation of rights is alleged, where the case is high profile or controversial, or when requested to do so by the prisoner, the prisoner's family, or the Department.

Reason unresolved: CA disagreed with the recommendation and proposed an alternative: change the mandatory visitation schedule from quarterly to semiannual visits. OIG does not believe that overseas staffing is adequate to comply with CA's alternate proposal. However, OIG will accept the suggested visitation schedule change as an acceptable alternative if CA can provide evidence that posts have sufficient staff to comply with semiannual visits by officers.

To be resolved by: April 1998

Audit of the Classified (Red) Mainframe System's Security (SIO/A-97-02), October 1996

Summary: OIG made 12 recommendations to establish a security program and plan for the system, to address risks found during the audit and to ensure that responsible officials are identified and kept informed about the system's security. Five of those recommendations were to the Under Secretary for Management and seven to the Assistant Secretary for Administration. An additional two recommendations to the Assistant Secretary were added at Management's request to address the alternative of migrating the system's functions to other processing environments.

Reason Unresolved: While the Assistant Secretary for Administration agreed to establish security policy and related audits and controls for the classified mainframe system, correspondence has not been provided for agreement on five recommendations to the Assistant Secretary. No formal correspondence from the Under Secretary for Management has been received. However, an informal request from the Under Secretary's office to redirect the recommendations was declined. That request was declined because the audit found that the system's security was at risk as the result of fragmented responsibility between bureaus and that involvement by the Under Secretary to resolve the fragmentation is needed.

To be resolved by: March 1999

U.S. Information Agency

Including the Broadcasting Board of Governors

Audits	43
Inspections	43
Security and Intelligence Oversight-	44
Investigations-	45
Appendix 1: Investigative Actions-	46
Appendix 2: Reports Issued-	47
Appendix 3: Savings and More Effective Use of Resources	
Table 1: Questioned Costs-	48
Table 2: Funds Put to Better Use-	48
Appendix 4: Resolution of Reports and Recommendations	
Previously Reported Significant Recommendations-	49
Audit Reports Pending Management Decision-	50

OIG Activities

AUDITS

Nonfederal Audits of Nonprofit Institutions

OMB Circular No. A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, establishes audit requirements for colleges, universities, and nonprofit organizations receiving Federal awards. Nonfederal auditors employed by public accounting firms conduct the audits. OIG reviews all audit reports involving USIA funds and is responsible for approving those audit reports on organizations over which USIA has cognizance.

During this 6-month reporting period, OIG conducted analytical reviews on 13 audits covering \$106 million over which USIA has cognizance. This left a total of 190 audit reports still in process at the end of the period as follows:

	Number of Reports	Grant Expenditures (\$ in M)
Beginning Inventory	147	291.2
Reports Received	56	225.5
Analytical Reviews		
Completed	13	106
Ending Inventory	190	410.7

OIG submitted the 13 analytical reviews to USIA's Office of Contracts, recommending that the office finalize provisional indirect cost rates and ensure correction of grantee internal control weaknesses and instances of noncompliance.

On the Internet

USIS Madrid has developed an innovative Internet home page, one of the first embassy home pages employing a foreign language and running on a host-country Internet service provider. Offering facts about the United States, its history and policies, as well as texts of official statements, the page is enormously popular, registering more than a thousand "hits" per day.

INSPECTIONS

Inspections and followup reviews were conducted of USIA operations in eight countries and the European Union; there also was a thematic review of the disciplinary and grievance process. The reports were issued as joint reports with the inspections of the embassy or mission operations. All of the USIA-related inspection reports are listed in Appendix 2 on p. 47, and summaries of all the reports are contained in the Department of State inspections section (pp. 15 through 23).

The Adequacy of Disciplinary Actions in the Department of State, U.S. Arms Control and Disarmament Agency, and U.S. Information Broadcasting Bureau (ISP/I-98-11)

At the request of the Chairman of the House International Relations Committee, OIG reviewed the adequacy of disciplinary actions taken by the Department of State, USIA, and ACDA in response to reports by OIG of violations of laws or regulations. OIG reviewed the pertinent administrative documentation, examined over 575 files, and interviewed more than 50 personnel representing 14 organizations and agencies. A complete summary of the OIG report can be found on pp. 17-18 of this semiannual report.

SECURITY AND INTELLIGENCE OVERSIGHT

Reorganization of Security Functions at USIA (SIO/A-98-03)

In anticipation of the planned merger of USIA and the Department, OIG reviewed USIA's Office of Security and suggested how a reorganization of the security function should occur when authorized. The review evaluated the performance of each USIA security program. The results should be useful to Department officials responsible for implementing the merger.

The review determined that the USIA security function could be merged with the Department's Bureau of Diplomatic Security as

a single organization. While USIA's Office of Security has experienced significant downsizing in recent years, program performance has not appreciably diminished. The review identified areas where organizational alignment could be improved and program performance could be enhanced, resulting in about \$504,000 in funds that could be put to better use. The report concluded that:

- Performing certain investigation functions by contractors rather than direct-hire staff would result in funds put to better use of \$173,000 annually;
- Consolidating USIA headquarters guard services would

result in funds put to better use of \$181,000 annually; and

- Eliminating an unnecessary commercial services contract for USIA's access control system could result in funds put to better use totaling \$150,000 annually.

The report recommended designating a senior officer to oversee public information security activities during and after the merger, and that USIA management advocate for USIA security needs as presented in the report.

USA-2000

In 1994, the United States and Spain signed a new Fulbright exchange agreement calling for parity in funding. That year, the Spanish Government matched the U.S. grant of \$1 million, but the following year the U.S. contribution began to decline. Embassy Madrid and USIS Spain have sought in various ways to compensate for the diminishing U.S. Government contribution, the most noteworthy being the ambassador's sponsorship of a "USA-2000" post-graduate scholarship program, for which contributions are sought from Spanish and American companies. For the 1998-99 academic year, contributions will support 25 scholarships for Spaniards to pursue graduate-level study in the United States, at a cost of more than \$1 million. Spurred by the success of USA-2000, the Spanish Government is now pursuing a similar initiative with the intent of increasing the number of young American potential leaders coming to Spain to study.

INVESTIGATIONS

Reimbursement

Embezzlement. In April 1996, an OIG investigation was initiated based upon the receipt of allegations that an official of the International Development Exchange (IDE) embezzled approximately \$60,000 through program fraud. Investigation disclosed that the IDE official obtained USIA grant funds, which were allocated for the purpose of cultural exchange programs, but instead used these grant funds to purchase personal items, took personal travel, and manipulated account balances to hide actual matching fund accounts. This matter was presented to the U.S. Attorney's Office for the District of Columbia, which filed a civil complaint against the IDE and the official. IDE and the official failed to answer the civil complaint, and a default judgment was entered by the court against the IDE official on January 6, 1998. (96-121)

Cultural Outreach

Working closely with post management, USIS Moscow has developed a countrywide program both to reach Russia's cultural and intellectual communities and to demonstrate U.S. achievement and creativity in the arts. As a result of these efforts, Spaso House, the residence of the U.S. ambassador, has become a gathering place for Russian intellectual leaders and a center for the performing arts. Recent events have included a concert by a Russian opera company en route to the United States, a reception following a performance by the Paul Taylor Dance Company, and dinners for Isaac Stern and Norman Mailer.

Appendix 1: Investigative Activities

Workload		Total Judicial Actions	16
Cases pending 9/30/97	24	Criminal	
New cases opened	8	Prosecutive referrals	5
Cases closed	8	Prosecutive declinations	3
Cases pending 3/31/98	24	Acquittals	0
		Indictments	0
		Convictions	0
Total Administrative Actions	6	Sentencings	0
Administrative referrals	4	Probation	0
Counseling	1	Civil	
Reimbursements	0	Referrals	2
Termination	1	Declinations	0
		Complaints	1
		Judgments	2
		Recovery	3

Administrative Recoveries	\$ -
Judicial Recoveries	<u>117,268</u>
Total Recoveries	\$117,268

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Office of Inspections

ISP/I-98-11	The Adequacy of Disciplinary Actions in the Department of State, ACDA, USIA, and IBB	1/98
ISP/I-98-02	Embassy Madrid, Spain, Constituent Posts, and USIS Spain	11/97
ISP/I-98-03	Embassy Lisbon, Portugal, Constituent Posts, and USIS Portugal	11/97
ISP/I-98-05	U.S. Mission to the European Union, Brussels, Belgium, and USIS USEU	12/97
ISP/I-98-07	Embassy Brussels, Belgium, and USIS Belgium	11/97
ISP/I-98-19	Embassy Moscow, Russia, Constituent Posts, and USIS Russia	3/98
ISP/I-98-21	Embassy Ulaanbaatar, Mongolia, and USIS Mongolia	3/98
ISP/I-98-22	Consulate General Hong Kong and USIS Hong Kong	3/98
ISP/I-98-23	Embassy Beijing, China, Constituent Posts, and USIS China	3/98

Followup Reviews

ISP/C-98-08	Embassy Bonn, Germany, Constituent Posts, and USIS Germany	1/98
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Office of Security and Intelligence Oversight

(Classified SIO reports are summarized in the classified annex to this semiannual report.)

SIO/A-98-03	Reorganization of Security Functions at USIA	1/98
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Appendix 3: Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Number of Reports	Dollars (in thousands)	
		Questioned Costs	Unsupported Costs*
A. For which no management decision has been made by the commencement of the reporting period	13	3,913	2,424
B. Which were issued during current reporting period	0	0	0
Total	13	3,913	2,424
C. For which a management decision was made during the reporting period — based on formal administrative or judicial appeal	5	676	28
(i) dollar value of disallowed costs	4	154	8
(ii) dollar value of costs not disallowed	4	522	20
D. For which no management decision has been made by the end of the reporting period	8	3,237	2,396
Reports for which no management decision was made within 6 months of issuance	8	3,237	2,396

* Unsupported Costs are included in the Total Costs.

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value
		(in thousands)
A. For which no management decision has been made by the commencement of the reporting period	1	701
B. Which were issued during the reporting period	1	504
Total	2	1,205
C. For which a management decision was made during the reporting period	1	701
(i) dollar value of recommendations that were agreed to by management	1	701
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	1	504
Reports for which no management decision was made within 6 months of issuance	0	0

Appendix 4: Resolution of Reports & Recommendations

Previously Reported Significant Audit Recommendations Pending Final Action

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
93-A-34/ ARR-95-08		<i>Grants Management Followup</i>	3/31/95
	2.	Ensure that the automated grant tracking log contains all data needed to track the status of grant proposals.	
	5.	Assess the status of the grant system to identify the specific tasks and resources needed to develop and implement the system. In addition, establish a realistic implementation plan, including funding commitments. Establish monthly reporting requirements on the project's status.	
	6.	Ensure that data in the grants system is reconciled with data in other grant-related systems.	
	7.	Document life-cycle management policies for the grants system and other related information systems.	
ARR-96-07		<i>Exchange Visitor Information System</i>	3/31/96
	3.	Determine the feasibility of electronically transmitting J Visa data from sponsor organizations to the EVIS database at USIA.	
USIA-97-CG-001		<i>National Endowment for Democracy</i>	3/31/97
	4.	The Bureau of Management should establish a financial memorandum of understanding between USIA and the Endowment.	
	5.	The Office of Contracts should require the Endowment to submit a proposed administrative budget along with its formal request for funds prior to the start of each fiscal year, review the administrative budget for reasonableness, and include the Board-approved administrative budget in the USIA/Endowment grant agreement.	
	6.	The Director should clarify program responsibilities for the Endowment.	
USIA-97-CG-002		<i>The Commission for Educational and Cultural Exchange Between xxxx the United States of America and Arab Republic of Egypt</i>	3/31/97
	1.	A qualified treasurer should exercise oversight of the financial transactions of the Commission.	
	3.	The Commission should submit audit reports that comply with both Manual requirements and grant terms.	
	6.	If USIA retains an interest in the English Teaching Program, whoever is responsible for the program should instruct the director of courses to <ul style="list-style-type: none"> • separate key financial responsibilities so that no one person maintains complete control of transactions; and • adopt written internal control and accounting system policies and procedures. 	

SUMMARY OF AUDIT REPORTS

Without Management Decision for More than Six Months

American Council of Learned Societies (A-90-29) September 1990

Summary: OIG identified questioned costs totaling \$44,957, accounting system deficiencies, and excess draw downs of grant funds. USIA's Office of Contracts resolved the accounting system recommendations and the excess drawdowns of grant funds.

Reason Unresolved: The Office of Contracts deferred action on \$44,957 pending further review by OIG, which was completed on March 31, 1995.

To be resolved by: October 1998

International Development Exchange (A-92-24) November 1992

Summary: OIG made recommendations on questioned costs of \$59,498 and accounting system deficiencies.

Reason Unresolved: The Office of Contracts deferred a decision on the questioned costs pending completion of OIG's investigation, which was referred to the Justice Department on July 15, 1994.

To be resolved by: Unknown; case in litigation.

Delphi International Group (A-92-23) December 1992

Summary: OIG questioned grant costs totaling \$253,772, which included costs associated with an OIG investigation. In September 1997, the Department of Justice reached a settlement with Delphi on the investigation, but \$117,179 in audit costs remain unresolved.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: September 1998

North/South Center (ARR-94-03) March 1994

Summary: OIG recommended that USIA seek reimbursement of \$1,507,261 in questioned costs, approximately \$1 million of which resulted from an inequitable allocation of indirect costs to the Center. The Department of Health and Human Services, which has audit cognizance, established new indirect cost rates.

Reason Unresolved: USIA's Office of Contracts deferred action on about \$480,000 in remaining questioned costs pending further consultation with the Bureau of Educational and Cultural Affairs and is awaiting additional information from the bureau.

To be resolved by: October 1998

Delphi International Group (ALR-94-03) March 1994

Summary: OIG questioned grant costs totaling \$202,188, which included costs associated with an OIG investigation. In September 1997, the Department of Justice reached a settlement with Delphi on the investigation, but \$110,147 in audit costs remain unresolved.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: September 1998

American-Mideast Educational and Training Services (ARR-95-02) December 1994

Summary: OIG questioned \$72,394, of which \$27,331 was unsupported.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: June 1998

Greater Buffalo Athletic Corporation (ARR-95-03) March 1995

Summary: OIG questioned \$2,306,884 in administrative costs.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: October 1998

International Institute of Wisconsin (CG-96-01) September 1996

Summary: OIG questioned \$46,626 as unallowable or unsupported by the Institute. These costs included airfares for individuals who did not participate in the program, excess working meals, and an unreasonable amount of tickets for sporting events. Also questioned were salary and benefits that were based on budget percentages instead of actual hours worked.

Reason Unresolved: USIA's Office of Contracts is seeking clarification and documentation from the grantee.

To be resolved by: October 1998

International Broadcasting

Inspections	55
Investigations	55
Appendix 1: Investigative Actions	56
Appendix 2: Reports Issued	56

INSPECTIONS

The Adequacy of Disciplinary Actions in the Department of State, U.S. Arms Control and Disarmament Agency, and U.S. Information Agency, including the International Broadcasting Bureau (ISP/I-98-11)

At the request of the Chairman of the House International Relations Committee, OIG reviewed the adequacy of disciplinary actions taken by the Department of State, USIA, and ACDA in response to reports by OIG of violations of laws or regulations. OIG reviewed the pertinent administrative documentation, examined over 575 files, and interviewed more than 50 personnel representing 14 organizations and agencies. A complete summary of the OIG report can be found on pp. 17-18 of this semiannual report.

INVESTIGATIONS

Management Implication Report

An investigation was initiated when OIG received a complaint that USIA's International Broadcasting Bureau, Worldnet Television, was improperly hiring contractors to perform personal services. The investigation disclosed that a vendor was hired by Worldnet to perform these services under a 1-year contract from January 1994 to December 1994. Inquiries disclosed that this contract was not executed until September 1994, at which point Worldnet terminated the vendor's services. It was disclosed that, due to discrepancies concerning the type of contract allowed, USIA's Office of Contracts had sent the contract back to Worldnet and refused to approve it until September 1994. An MIR was forwarded to Worldnet. This report outlined the need to reeducate employees responsible for contracting at the agency regarding the prohibition of contracting for personal services. Worldnet followed this recommendation and instituted new contracting policies to preclude the awarding of personal services contracts. (96-145)

Appendix 1: Investigative Activities

Workload	
Cases pending 9/30/97	0
New cases opened	1
Cases closed	0
Cases pending 3/31/98	1
Judicial Actions	0
Administrative Actions	0

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Office of Inspections

ISP/I-98-11 The Adequacy of Disciplinary Actions in the Department of State, ACDA, USIA, and IBB

U.S. Arms Control and Disarmament Agency

OIG Activities-	59
Appendix 1: Investigative Actions-	60
Appendix 2: Reports Issued-	60
Appendix 3: Savings and More Effective Use of Resources	
Table 1: Questioned Costs-	61
Table 2: Funds Put to Better Use-	61
Appendix 4: Resolution of Reports and Recommendations	
Previously Reported Significant Recommendations-	62
Audit Reports Pending Management Decision-	62

INSPECTIONS

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Appendix 1: Investigative Activities

Workload

Cases pending 9/30/97	2
New cases opened	2
Cases closed	3
Cases pending 3/31/98	1

Administrative Actions

Administrative referral	1
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Judicial Actions

0

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

Appendix 2: Reports Issued

Office of Inspections

ISP/I-98-11 The Adequacy of Disciplinary Actions in the Department of State,
ACDA, USIA, and IBB

1/98

Appendix 3: Savings & More Effective Use of Resources

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Number of Reports	Dollars (in thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during current reporting period	0	0	0
Total	0	0	0
C. For which a management decision was made during the reporting period — based on formal administrative or judicial appeal	0	0	0
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period Reports for which no management decision was made within 6 months of issuance	0	0	0

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value
		(in thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
Total	0	0
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period Reports for which no management decision was made within 6 months of issuance	0	0

Appendix 4: Resolution of Reports & Recommendations

Previously Reported Significant Audit Recommendations Pending Final Action

None

SUMMARY OF AUDIT REPORTS Without Management Decision for More than Six Months

None

List of Abbreviations

A/FBO	Office of Foreign Buildings Operations, Bureau of Administration
A/IM	Office of Information Management
A/OPR/ACQ	Office of Acquisitions
ACDA	U.S. Arms Control and Disarmament Agency
AIT	American Institute in Taiwan
AIT/T	American Institute in Taiwan, Taipei
AIT/W	American Institute in Taiwan, Washington
CFMS	Central Financial Management System
CFO	Chief Financial Officer(s)
CFSC	Charleston Financial Service Center
CINCPAC	Commander in Chief, Pacific Command
EU	European Union
FBI	Federal Bureau of Investigation
FSN	Foreign Service national
IBB	International Broadcasting Bureau, USIA
IDE	International Development Exchange
ILEA	International Law Enforcement Academy
INL	Bureau for International Narcotics and Law Enforcement Affairs
ICASS	International Cooperative Administrative Support Services
MFO	Multinational Force and Observers
MIR	Management Implication Report
NAS	Narcotics affairs section
NATO	North Atlantic Treaty Organization
OIG	Office of Inspector General
OMB	Office of Management and Budget
PM	Bureau of Political-Military Affairs
RSO	Regional security office(r)
SIO	Office of Security and Intelligence Oversight
USEU	U.S. Mission to the European Union
USIA	U.S. Information Agency
USIS	U.S. Information Service

Index of Reporting Requirements Inspector General Act of 1978, as amended

Requirement	Subject	Page Number:		
		State	USIA	ACDA
Section 4(a)(2)	Review of legislation and regulations	6-7	6-7	6-7
Section 5(a)(1)	Significant problems, abuses, and deficiencies	11-27	43-44, 55	59
Section 5(a)(2)	Significant recommendations for corrective action	11-27	43-44, 55	59
Section 5(a)(3)	Prior significant recommendations unimplemented	38	49	None
Section 5(a)(4)	Matters referred to prosecutive authorities	28-32	45, 55	None
Section 5(a)(5)	Information or assistance refused	None	None	None
Section 5(a)(6)	List of reports issued	34-35	47, 56	60
Section 5(a)(7)	Summaries of significant reports	11-27	43-44, 55	59
Section 5(a)(8)	Audit reports—questioned costs	36	48	61
Section 5(a)(9)	Audit reports—funds to be put to better use	37	48	61
Section 5(a)(10)	Prior audit reports unresolved	39-40	50	None
Section 5(a)(11)	Significant revised management decisions	None	None	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None	None	None

Summary of OIG Accomplishments

Financial Results:

Questioned Costs	
Issued during the reporting period	\$781,000
Management decision during the reporting period	\$1,312,000
Recommendations for Funds Put To Better Use	
Issued during the reporting period	\$1,524,000
Management decision during the reporting period	\$2,401,000
Investigative Recoveries	\$148,544

Investigative Results:

Cases Opened	72
Cases Closed	81
Judicial Actions	76
Administrative Actions	36
Hotline and Complaint Activity	153

Reports Issued:

Audits	7
Inspections	24
Security and Intelligence Oversight Reviews	19
Contract Audits	11

Pictured on front cover: Classroom building in Budapest, Hungary, from audit report 98-CI-006 on Financial, Procurement, and Personnel Activities at the International Law Enforcement Academy. See report narrative on page 13.

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